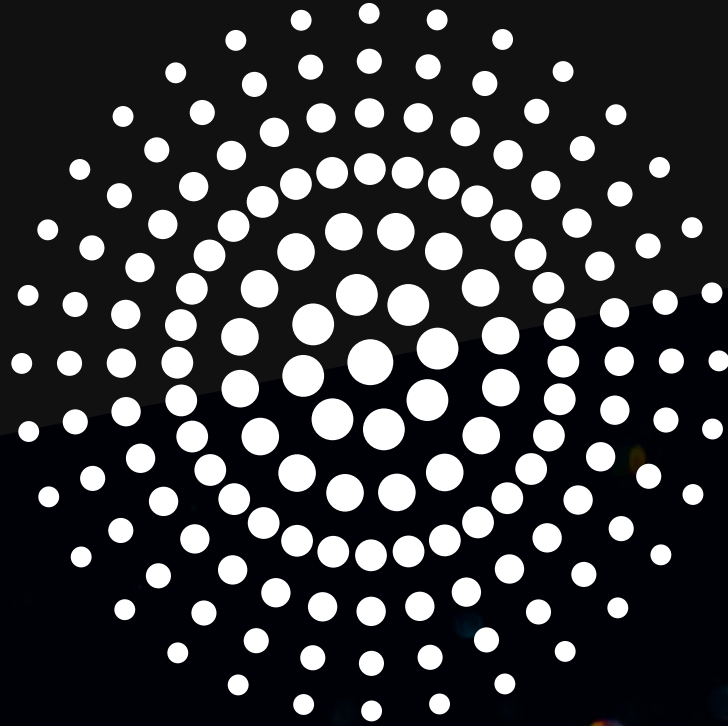


# 16

## Annual Report

We Enable Energy



**vonRoll**

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## Key figures

in CHF 1,000	2016	2015
Order intake	335,729	356,603
Net sales	328,110	354,806
EBIT	-20,063	-23,035
Net income for the period	-30,290	-34,875
Cash flow from operating activities	-10,453	-14,359
Capital expenditures	27,674	29,499
Equity	98,887	71,998
Equity ratio (%)	27 %	18 %
Number of employees (FTE)	1,703	2,002

## Key figures per share

in CHF	2016	2015
EBIT <sup>1</sup>	-0.11	-0.13
Net income <sup>2</sup>	-0.17	-0.20
Cash flow from operating activities <sup>3</sup>	-0.06	-0.08
Equity <sup>4</sup>	0.55	0.41
Number of issued shares	201,445,555	184,778,889
Share price (high)	1.00	1.52
Share price (low)	0.51	0.63
Share price (end of period)	0.62	0.66
Market capitalisation (in CHF 1,000)	124,896	121,954

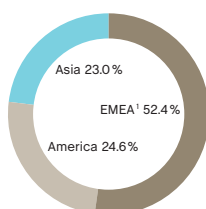
<sup>1</sup> EBIT / weighted average number of shares outstanding

<sup>2</sup> Net income / weighted average number of shares outstanding

<sup>3</sup> Cash flow from operating activities / weighted average number of shares outstanding

<sup>4</sup> Consolidated equity / weighted average number of shares outstanding

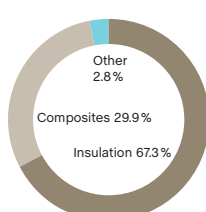
#### Share of total sales



#### Net sales by region

in CHF 1,000	2016	2015
EMEA <sup>1</sup>	171,885	187,199
America	80,639	82,776
Asia	75,586	84,831
<b>Total</b>	<b>328,110</b>	<b>354,806</b>

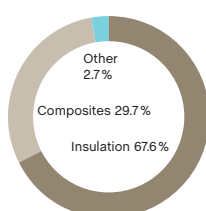
#### Share of total sales



#### Net sales by segment

in CHF 1,000	2016	2015
Von Roll Insulation	220,915	234,268
Von Roll Composites	98,231	112,006
Other activities	8,964	8,532
<b>Total</b>	<b>328,110</b>	<b>354,806</b>

#### Share of order intake



#### Order intake by segment

in CHF 1,000	2016	2015
Von Roll Insulation	227,119	234,937
Von Roll Composites	99,750	116,815
Other activities	8,860	4,851
<b>Total</b>	<b>335,729</b>	<b>356,603</b>

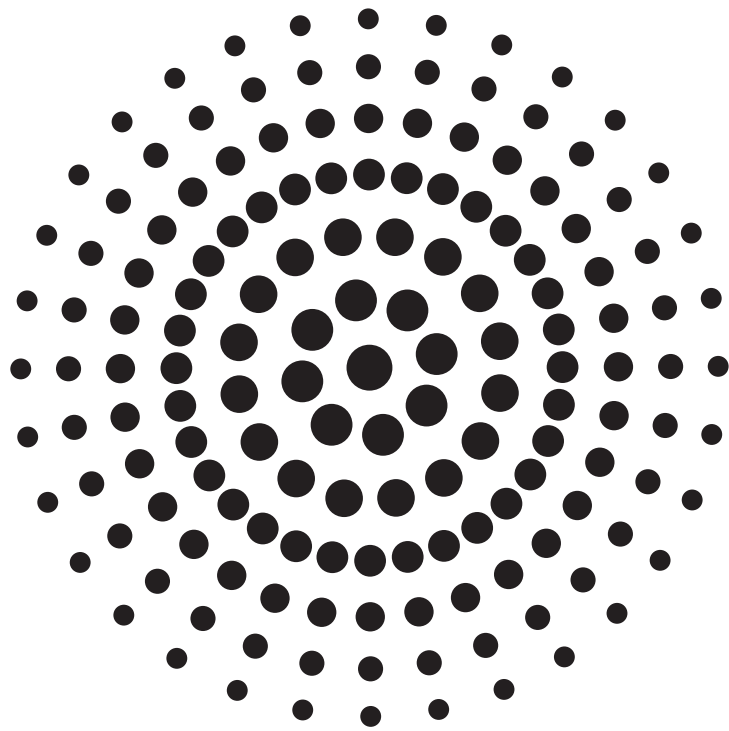
#### EBIT by segment

in CHF 1,000	2016	2015
Von Roll Insulation	2,293	-10,862
Von Roll Composites	-11,970	-4,970
Other activities	-10,386	-7,203
<b>Total</b>	<b>-20,063</b>	<b>-23,035</b>

#### Number of employees (FTE)

	2016	2015
Von Roll Insulation	994	1,156
Von Roll Composites	661	789
Other activities	48	57
<b>Total</b>	<b>1,703</b>	<b>2,002</b>

<sup>1</sup> EMEA: Europe, Middle East and Africa



We Enable Energy

## Dear Shareholders

The financial year 2016 was another year of transformation for the Von Roll Group.

Over the past two years alone, numerous measures have been taken worldwide to consolidate and modernise our production landscape. The structural improvements made as a result are reflected in figures such as our gross margin, which increased by 3.3 percentage points compared with the previous year, and the reduction in operating loss. Adjusted for restructuring and non-recurring costs, the loss for the past financial year was CHF -6.2 million, as against CHF -17.2 million in 2015.

The positive effects resulting from the structural improvements made have not yet been sufficient because they have, at least partially, been offset by declining sales and growing price pressures in the market. We responded to this by significantly boosting and accelerating our efforts to reposition the Von Roll Group in the second half of 2016.

The main additional measures included optimising our product portfolio, reducing our personnel and administration costs and streamlining our organisation. We also focused on optimising purchasing conditions and reorganising our global sales structure. In addition, we have taken all the necessary steps to relocate our headquarters from Wädenswil (Zurich) to our production site in Breitenbach (Solothurn), near Basel, from July 2017.

The measures mentioned will produce substantial savings of more than CHF 18 million in our total underlying costs. Their impact will already be felt in 2017. They will also help to markedly reduce our break-even point. The Group's financial structure, too, was optimised in the past financial year. Down to just 13.7% in mid-2016, the equity ratio had recovered to 26.6%, in line with the rest of the market, by the end of the year.

While we are aware that all cost-cutting measures are necessary, we also know that they are in no way sufficient. Separate from this, we must achieve a significant increase in productivity and speed of implementation across the board.

This year, we are therefore primarily focusing on a comprehensive "fitness programme", which we will develop and put into practice on a global scale, working closely with all our production sites. To tackle the tasks ahead, we have brought in new staff with proven specialist expertise to join our team.

In order to make 2017 a successful year for Von Roll, we need do no more, but certainly no less, than continue to rigorously follow the path we have chosen. The general economic outlook is positive. Von Roll insulation systems for the construction of high-voltage motors and generators remain one of the leading and most popular system solutions on the market. The strategically defined growth markets, such as electric vehicles and power transmission and storage systems, have performed well and offer attractive potential for the future.





All of this gives the Von Roll Group a realistic chance of operating profitably again in 2017.

On behalf of the Board of Directors and the Executive Management, we would like to extend our thanks to our customers, suppliers and of course to you, our shareholders, for your loyalty, patience and trust.

In particular, we would like to thank our employees for all their hard work and great dedication in an extremely challenging environment.

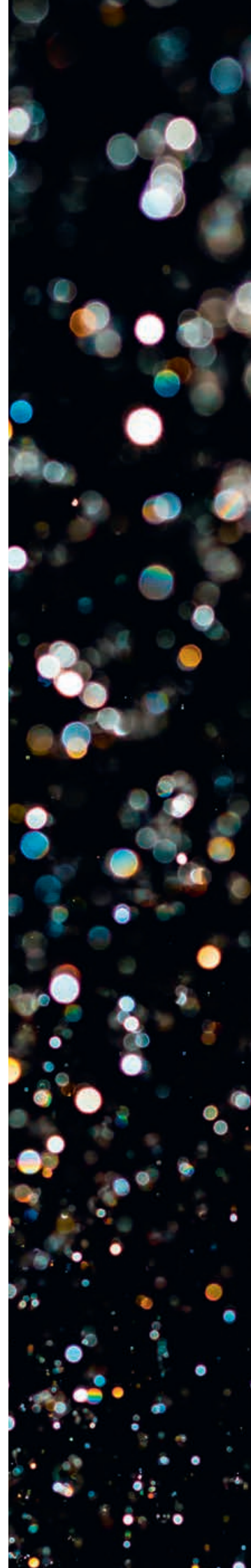
Au/Wädenswil, March 2017

*P. Kalantzis*

Dr. Peter Kalantzis  
Chairman of the Board of Directors

*Ch. Hennerkes*

Dr. Christian Hennerkes  
Chief Executive Officer



## Business development

Development in the financial year 2016 was characterised by different trends in the energy sector.

Given the complexity of the issues, it is unclear what the future of electricity production will look like. Due to safety aspects and environmental protection considerations, there are calls for power generation using fossil fuels and nuclear energy to end; however, renewable energy alone cannot cover all power requirements. What level is acceptable in terms of power imports and dependence on other countries? The ongoing debate surrounding these issues delayed important decisions in various energy production sectors once again in 2016. This segment is still the mainstay of sales of Von Roll products.

The persistently low oil price also weakened demand from the oil and gas industry, particularly in the Americas and the Middle East. Company mergers among our customers led to delayed projects. We are still experiencing an oversupply and enormous pressure on prices in the low-voltage segments, especially in Asia.

However, the requirement for companies to manufacture using more environmentally friendly methods and a proliferation of standards helped Von Roll to boost sales of its environmentally sound resin products. New solutions in the offshore wind sector enabled us to win further orders from the major wind energy equipment manufacturers.

Business in the electric vehicle industry and energy storage markets was pleasing for Von Roll, having grown continuously over the past few years. Several new customers were won, including automotive manufacturers and companies from the supplier industry.

Further measures were taken in the course of 2016 to reduce the fixed cost base as a result of the decline in sales. By streamlining our organisational structure and thereby reducing headcount, the company's economic efficiency was improved significantly.

Von Roll posted another decline in Group sales of 7.5% to CHF 328.1 million for the financial year 2016.

Revenue in our largest sales region, EMEA (Europe, Middle East and Africa), dropped by 8.2% to CHF 171.9 million. In North and South America, sales decreased by 2.6% to CHF 80.6 million, while sales in Asia, at CHF 75.6 million, were also lower.

Order intake for financial year 2016 stood at CHF 335.7 million, as against CHF 356.6 million in the previous year.

### Impact of one-off effects on the business result

The reporting year 2016 closed with a negative EBIT of CHF -20.1 million. This means that losses were down by 12.9%, or CHF 3.0 million, year-on-year despite lower sales. The gross margin grew by 3.3 percentage points.

Administrative expense increased from CHF 38.2 million to CHF 41.9 million due to one-off effects and valuation allowances on balance sheet items.

One-off effects for restructuring and non-recurring costs amounting to CHF 13.9 million had a negative impact on the EBIT.

Higher copper prices and the rigorous implementation of plant optimisation measures led to a rise in goods inventories.

### Cash flow from operating activities

Von Roll posted negative cash flow from operating activities of CHF -10.5 million in financial year 2016, as against CHF -14.4 million in 2015. Investment in property, plant and equipment was reduced by CHF 1.8 million to CHF 27.7 million.

The equity ratio increased from 17.5% as at 31 December 2015 to 26.6% as at 31 December 2016.





### Business development in the Insulation

The Insulation segment comprises the product lines of electrical insulation materials, insulated wires and resins and varnishes. These product lines have the following properties in common: they provide electrical, mechanical and/or thermal protection, primarily in electrical applications such as generators, machinery, motors and high- and low-voltage devices.

The Insulation segment posted sales of CHF 220.9 million in 2016, down by 5.7% on the previous year.

Contributing around two thirds, this segment is the mainstay of the Group's sales. Order intake fell by 3.3% to CHF 227.1 million during the reporting year. The gross margin increased in all product sectors, and the Insulation segment's EBIT of CHF 2.3 million was slightly positive, excluding one-off effects.

The energy generation market segment was characterised by contrasting trends. Following years of decline, Von Roll achieved growth again for the first time in the segments producing power from nuclear energy and fossil fuels. Demand for insulation systems for turbo and hydro generators rose again in 2016. But business for components for wind turbine generators was weaker, recording a slight fall for the first time after several years of growth. A downward trend was observed, at a global level, for the electric drives and the cable industry, as both markets are heavily reliant on orders from the oil and gas sector.

In the EMEA region (Europe, Middle East and Africa), the drop in sales was mainly due to weak demand from the cable industry and from electric motor-manufacturers. Some wind generator projects were also postponed, meaning that the sector, which has otherwise always grown steadily, declined in 2016. Demand for environmentally friendly resins and speciality wires showed an encouraging trend.

In Asia, Von Roll significantly increased its sales of products for large generators and the automotive industry. Following a weak 2015, business in the hydro generator segment picked up again, but the traction motor segment unexpectedly produced a disappointing result. Owing to high pressure on prices, the low-voltage segments (consumer goods, electronics) continued to bump along the bottom. Projects in India were delayed due to high interest rates and a lack of investment opportunities.

Business in the Americas benefited from increased demand for mica products for large generators, although the low oil price continued to hold back investments from the oil and gas industry. In South America, Von Roll gained market share with its mica products and successfully launched its resins and varnishes. Project delays caused by inflation and falling exchange rates remain a challenge in this region.



### Von Roll Insulation: key figures

in CHF 1,000	2016	2015* (restated)
Net sales	220,915	234,268
Gross margin	44,712	34,885
- In %	20.2 %	14.9 %
EBIT	2,293	-10,862
Number of employees (FTE)	994	1,156

\* See Note 2 in "Financial reporting"

### Business development in the Composites

The Composites segment comprises the composites product lines. These include semi-finished goods in the form of laminates and made-to-measure machined parts. Sales in this segment declined by 12.3% to CHF 98.2 million in financial year 2016. The main cause of the sharp drop in sales in the Composites segment lay in the EMEA region (Europe, Middle East and Africa). Due to the streamlining of the product portfolio and the closure of the Düren plant, the moulded parts product line ceased to operate as of the end of 2015, meaning that no sales were recorded in reporting year 2016.

The Composites segment contributed 29.9% to overall Group sales. Order intake fell to CHF 99.8 million during the reporting year.

Thanks to state funding for environmentally sound applications, more money was invested in electric vehicle projects and energy storage systems in 2016. We won new customers in these sectors all over the world and achieved pleasing results.

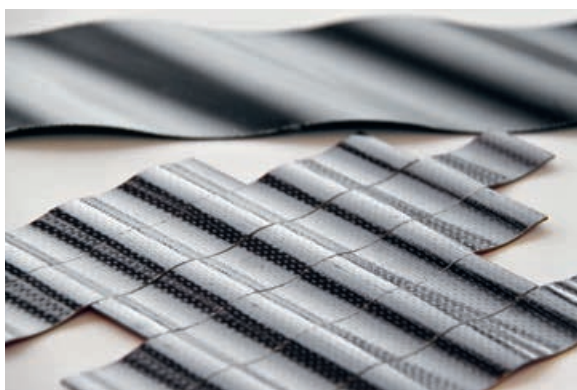
In the Americas, sales in the Composites segment showed a marked increase compared with the previous year. This is due in part to our sustained focus on growth markets, such as the automotive industry and energy storage. Demand for safety equipment for personal protection also rose in this region.

In Asia, marked growth was observed for the electric vehicle and hydro generator segments, while import and export business in the electric vehicles sector achieved encouraging growth rates. Sales of thermal products for the consumer goods industry continue to be difficult as a result of the major pressure on prices, thereby preventing an increase in sales in Asia.

### Von Roll Composites: key figures

in CHF 1,000	2016	2015* (restated)
Net sales	98,231	112,006
Gross margin	10,150	14,998
- In %	10.3 %	13.4 %
EBIT	-11,970	-4,970
Number of employees (FTE)	661	789

\* See Note 2 in "Financial reporting"



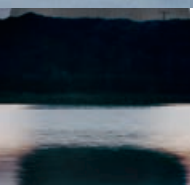
### Business development in other activities

In the reporting year, Von Roll BHU Umwelttechnik GmbH (Von Roll BHU) managed to stabilise sales at the previous year's level. The order backlog rose compared with the previous year and the contribution margins it includes increased by more than 150 %.

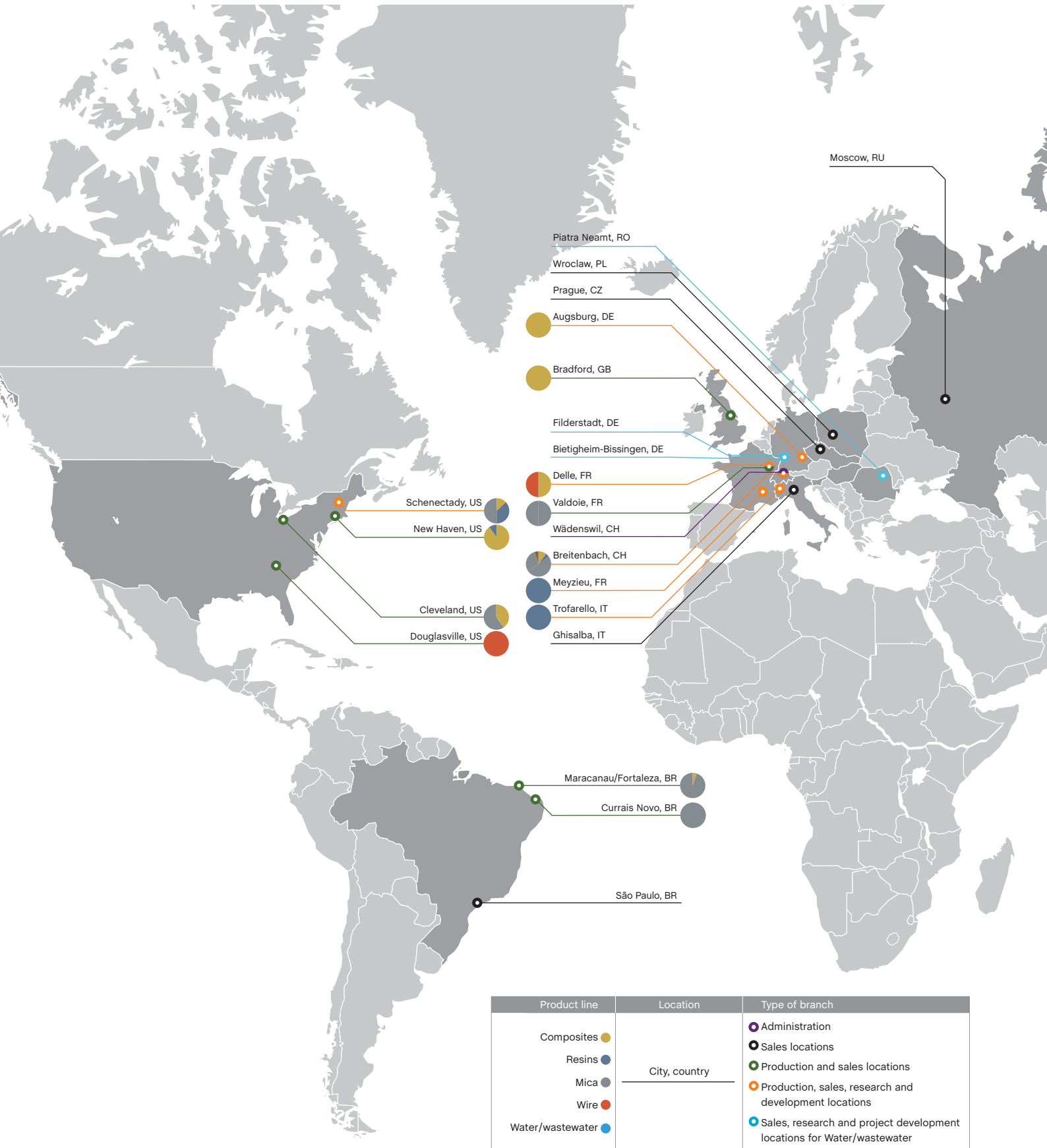
In EMEA (Europe, Middle East and Africa), business was steady overall. Von Roll BHU continued to maintain its high market shares for drinking water systems in southern Germany. Investment behaviour in the Eastern European countries is still cautious. The ongoing European Union infrastructure funding programme is adversely affected due to a lack of municipal funds. The Russian market is limited as a result of the continuing embargo and the situation in Middle Eastern markets is equally unsatisfactory. The persistently low crude oil price has led to unattractive market prices in this region which favour local and Indian suppliers.

The most significant progress in 2016 was made in China. This market still holds the greatest potential for Von Roll BHU. Thanks to intensive marketing and sales efforts in previous years, the planned order intake from China materialised and was booked in the reporting year. Pioneering new projects were won in both the municipal sector and the petrochemical industry.

A highlight for Von Roll BHU was the opportunity to present the company and its processes at the fifth Sino-German Environment Forum in Nanjing in April 2016. During the forum organised jointly by the Chinese and German environment ministries, Von Roll BHU was the only specialised company from Germany invited to present advanced wastewater treatment technologies to a broad spectrum of industry professionals.



# Global presence



Moscow, RU

Piatra Neamt, RO

Wroclaw, PL

Prague, CZ

Augsburg, DE

Bradford, GB

Filderstadt, DE

Bietigheim-Bissingen, DE

Delle, FR

Valdoie, FR

Wädenswil, CH

Breitenbach, CH

Meyzieu, FR

Trofarello, IT

Ghisalba, IT

Schenectady, US

New Haven, US

Cleveland, US

Douglasville, US

Maracanau/Fortaleza, BR

Currais Novo, BR

São Paulo, BR



As a partner for customers who are active on a global basis in the energy sector and in other areas of industry, Von Roll also has a global presence: the Group has a total of 29 locations for production, service, research and development, and sales. This gives customers access to a global network and rapid and competent support on site. This also allows Von Roll to exploit opportunities that are presented by the global trends of climate change, sustainable development and limited resources. The growth in population also entails a moderate increase in demand for energy.



## Von Roll Insulation

The Insulation product segment is part of Von Roll's core business and comprises the "Wire", "Electrical Insulation" and "Liquids" product lines. These products and systems are used for the electrical insulation of high- and low-voltage applications. Von Roll is a proven specialist and expert in this field and also participates in international research projects.

Our target markets include applications such as large generators, rotation motors for industry, traction motors, transformers, the chemical, oil and gas industries as well as the machinery, electronics, automotive and consumer goods industries.

### Innovation and highlights 2016

Following the successful introduction of water-based varnishes and the "green product line" of potting resins, Von Roll developed a new series of environmentally friendly resins specifically for the high-voltage market. This series fulfils the requirements of the REACH standards for occupational safety and hygiene and was successfully launched on the market in 2016.

A new production method for flat coils was developed for traction motors, making the process many times quicker and thus more cost-effective. It meant optimising the individual material components, from the wire through to the mica tapes, all of which went smoothly for Von Roll. The test phase was successfully completed in 2016.

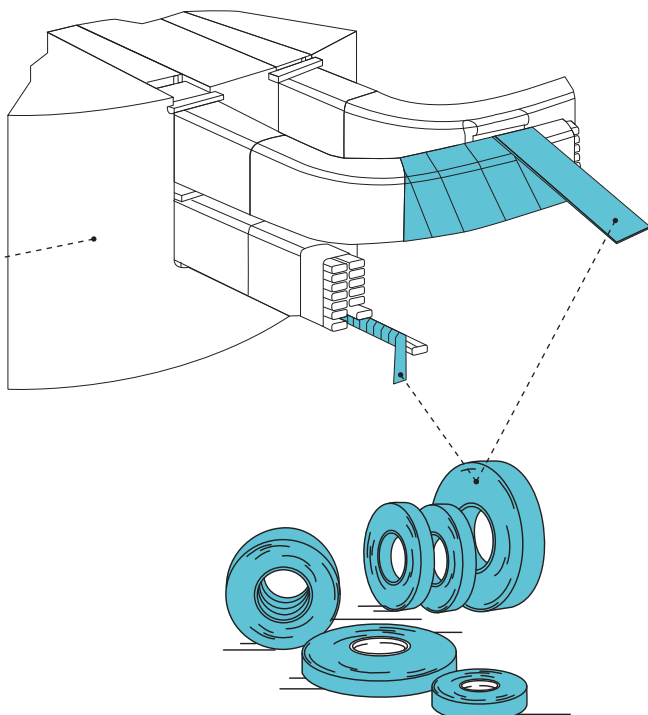
Initial tests produced thinner mica tapes for improving the performance of generators, especially wind turbine generators. Thanks to new developments in mica-taped wires (class H) and speciality wires (SST<sup>1)</sup> litz wires), electrical machinery can now be built more efficiently.

<sup>1)</sup> SST = special surface treatment





### Diesel generators: a niche market with potential for growth



Diesel generators are used as emergency power units where there is no fixed power supply, for example as mobile systems on building sites. They are required for use as permanent systems where a power cut would have severe consequences, as would be the case in e.g. hospitals, chemical plants, information technology facilities and even in nuclear power plants, where they act as an emergency power supply.

A diesel generator consists of a diesel motor that drives an electric generator. Their power ranges from a few hundred watts for private use to several dozens of megawatts for large industrial plants. It is particularly for alternative power generation (e.g. wind farms) that they are growing in importance because they even out load fluctuations and guarantee a reliable power supply.

Von Roll supplies full insulation systems to diesel generator manufacturers, including wire, mica tapes for the main insulation, corona protection tapes, impregnating resin and composite materials to fix the winding in place. By having its insulation system certified for the higher temperature class of 180 °C (previously 155 °C), Von Roll can meet a growing market requirement. The Von Roll insulation system enables the generators to increase capacity utilisation and operate more reliably.



## Von Roll Composites

The Composites segment comprises the composites product lines, which are sold as semi-finished goods, prepregs, tubes or machined parts. Its plastic products combine a variety of materials with different mechanical as well as thermal and electrical insulation properties. The wide range of possibilities for modification and customisation offers significant potential for the future of this product line in numerous branches of industry.

Composites are mainly prized for their mechanical and thermal properties and are used in applications subjected to intense thermal stress (e.g. flame protection) and mechanical load (e.g. strain caused by vibrations). Composites are mainly to be found in thermal power stations, in power transmission and grid storage systems, in industrial applications such as in the automotive, aviation and rail industries, in industrial presses and ovens, in the consumer goods, electronics, paper and textile industries and in hydraulic applications and ball bearings.

### Innovation and highlights 2016

We broke into the automotive market in 2016 thanks to an upgraded system. The new thermal insulation solutions offer improved fire protection for batteries and make electric vehicles safer. These products can also be used in the growing energy storage market.

In addition, the development department is working on new solutions for the aviation industry with significant advantages over conventional products in terms of their light weight and flame-retardant properties. Initial test phases have been implemented successfully.

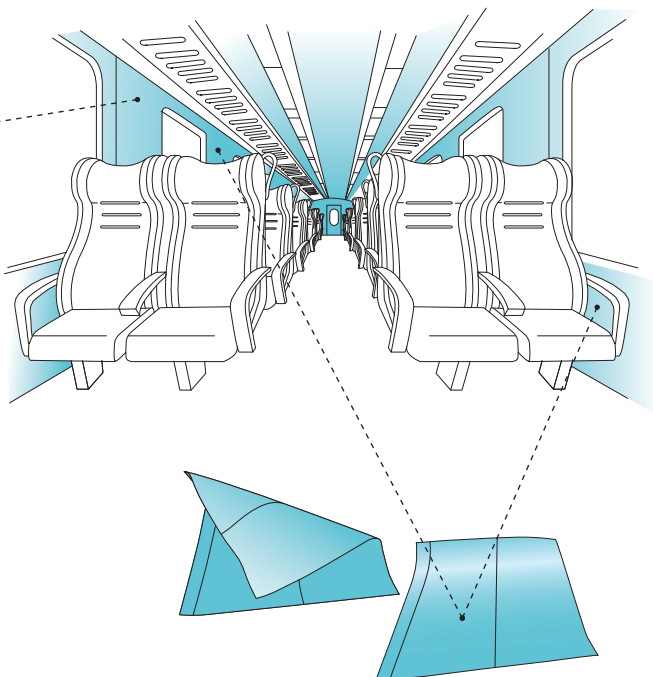
Von Roll supplied components for the reactor for the international research project ITER in 2016. The ITER (International Thermonuclear Experimental Reactor) aims to generate electricity using nuclear fusion.

Nanotechnology is a new method that could bring about major advances throughout the entire product development process in future.





### Prepregs for fitting out the interiors of passenger cabins



Thanks to their light weight and the many varied ways their material properties can be combined, composites are ideal for fitting out the interiors of passenger cabins, such as in the sides, window panels and luggage compartments. The areas shown in the illustration are just a few of many examples.

Composites from Von Roll are robust and lightweight and fulfil the transport industry's vital criterion of reducing weight while remaining highly functional. They meet fire resistance standards (they are flame-retardant and low-fuming), which can only be achieved by choosing the ideal combination of raw materials to use.

As criteria differ depending on how they are used in an interior, a wide variety of composites are available to achieve the required properties as successfully as possible.

The prepregs shown here can be used inside ships, railway carriages and aircraft – in other words, wherever increased passenger safety is key and fire protection regulations are equally strict.



## Other activities

The water and wastewater treatment solutions offered by Von Roll BHU Umwelttechnik GmbH (Von Roll BHU), which is based in Bietigheim-Bissingen in Germany and operates internationally, belong to the other activities of the Von Roll Group.

### Water and wastewater treatment

Von Roll BHU provides solutions and concepts for technical process tasks in water and wastewater treatment for municipal and industrial applications, both for new plants and for upgrading existing ones.

The company sees itself as a technologically skilled partner which focuses on its core areas of expertise in sophisticated process technology. It has a global business model adapted to suit the conditions in the foreign markets it serves. It also opens up good opportunities in both Eastern Europe and the company's target regions of the Middle and Far East.

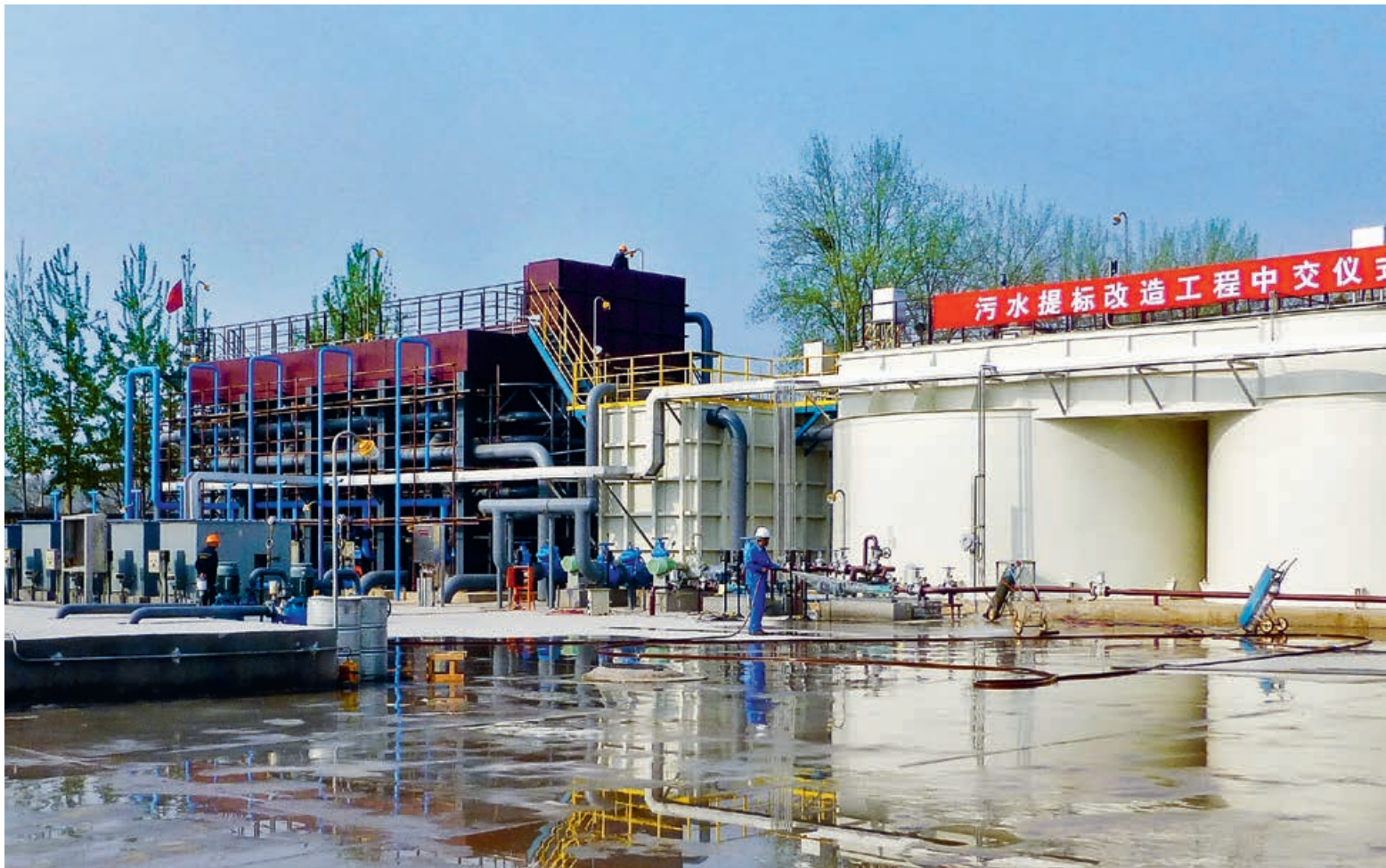
Its quality management system was upgraded in 2016 in accordance with the latest standard ISO 9001:2015.

### Innovation and highlights 2016

New processes have been developed for the energy-optimised treatment of municipal sewage and for fully closing the water circulation loops in power stations (by treating the wastewater so it can be reused elsewhere in the system). Both are proving especially popular on the Chinese market.

A particularly pleasing achievement was winning the contract to fit out a complex wastewater treatment and recycling plant for a coal chemical refinery currently being built near Xi'an in China. The order from Yanchang Coal represents yet another prestigious project won against competition from leading global companies.

Von Roll BHU impressed its customers in 2016 with more efficient biofiltration processes, solutions that mean plants only take up half as much space as they used to.





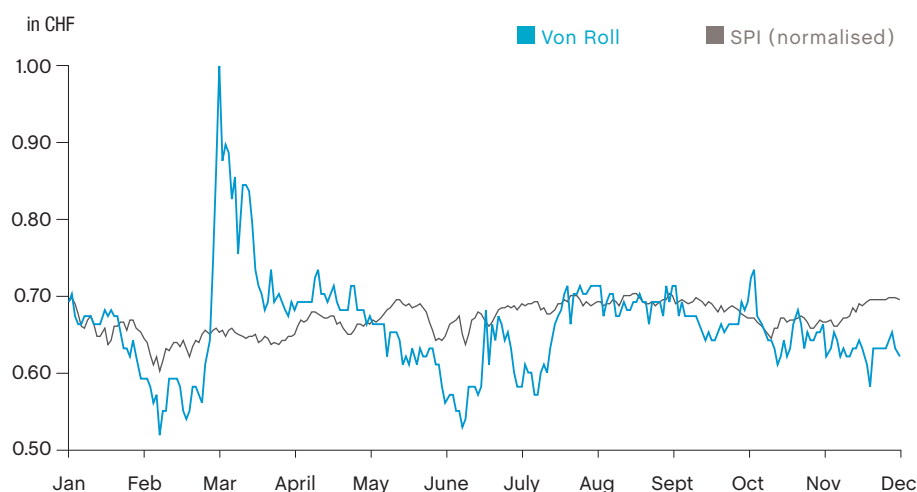
## Von Roll share

The shares are traded on the Swiss stock exchange (SIX Swiss Exchange) and are included in the Swiss Performance Index (SPI). They are also traded in Frankfurt and New York.

As of 20 November 2008, the von Finck group of shareholders reported a shareholding of 66.75%, which corresponds to 123,334,009 bearer shares. Von Roll Holding AG holds 7,079,601 of its own bearer shares as of 31 December 2016 (2015: 7,068,947).

Further details about the share and capital structure of Von Roll Holding AG can be found in the Corporate Governance report (see page 16 ff.).

### Share performance 2016



### Listing information

Stock exchange listing	SIX Swiss Exchange Symbol: ROL
Security number	324.535
ISIN	CH0003245351
Reuters	ROL.S
Bloomberg	ROL SW

### Stock market data

	2016	2015
Number of issued shares	201,445,555	184,778,889
Price high (in CHF)	1.00	1.52
Price low (in CHF)	0.51	0.63
Price on balance sheet date (in CHF)	0.62	0.66
Market capitalisation (units of CHF 1,000)	124,896	121,954
Trading volume (daily average)	42,766	84,540

### Financial calendar

- 16 March 2017:  
Balance sheet press conference,  
Annual Report 2016  
Zurich, Switzerland
- 24 April 2017:  
Annual General Meeting,  
Regensdorf (ZH), Switzerland
- 23 August 2017:  
Semi-annual Report 2017

### Von Roll contact

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Corporate Communications  
Phone +41 44 204 35 29  
Fax +41 44 204 30 07  
E-mail investor@vonroll.com  
www.vonroll.com

## Corporate Governance

Von Roll Holding AG is organised in accordance with Swiss law and meets current requirements regarding Corporate Governance. This publication complies with all the requirements imposed by the SIX Swiss Exchange (Swiss stock exchange) regarding information on Corporate Governance (Corporate Governance Directive of 1 January 2016). Since 11 August 1987, Von Roll Holding AG, with its registered office in CH-4226 Breitenbach, Passwangstrasse 20, and with a further business address at Steinacherstrasse 101, CH-8804 Au/Wädenswil, has been listed on the SIX Swiss Exchange (symbol: ROL, security number: 324.535, ISIN: CH0003245351). As of 31 December 2016, the market capitalisation amounted to TCHF 124,896 (2015: TCHF 121,954).

### 1. Group structure and shareholders

#### 1.1 Group structure

##### 1.1.1 Operating group structure

Von Roll Holding AG and its subsidiaries focus their operating activities on the Insulation and Composites segments and the Water and Wastewater management business unit. Further details are available in the “Financial reporting” section (see Note 5 “Segment reporting”) in this Annual Report.

##### Organisation

Legally the Von Roll Group consists of Von Roll Holding AG and its subsidiaries (see Note 23 of the “Financial reporting” section in this Annual Report). The Von Roll Group has two tiers of management: the Board of Directors and the Executive Management. The Board of Directors of Von Roll Holding AG is responsible for the company’s overall management, its organisational structure, accounting, financial control and financial planning. The Executive Management consists of the Delegate of the Board of Directors, who manages the Von Roll Group in the role of Chief Executive Officer (CEO), and the Chief Financial Officer (CFO). The CEO is responsible for operating and ongoing business management. The organisational structure is geared to the demands of an integrated technology company.

##### Management

For the Von Roll Group, customer focus, technological and innovative leadership, as well as the highest level of quality and service form the basis for long-standing business relationships. By focusing on our successful core business and expanding our portfolio, particularly in the direction of forward-looking and

technologically intensive business segments, significant added value will be generated, resulting in a sustained increase in shareholder value. The foundation for this is constant optimisation of processes, costs and quality. To ensure sustained success, Von Roll relies on its business operating system for corporate management. With the business operating system, the aim of utilising our potential to the full and consequently creating long-term value for our shareholders and clients is pursued. At the same time, the Von Roll Group strives to rank among the world’s leading companies in terms of performance, transparency and innovation. In so doing, our employees observe the legal and ethical conditions and demonstrate loyalty to the company. Our employees agree to comply with the internal code of conduct (“Global Code of Conduct”). They are also bound by all Group guidelines and directives published within the Von Roll Group.

##### 1.1.2 Listed companies

There are no other listed companies within the scope of consolidation of Von Roll Holding AG.

##### 1.1.3 Unlisted companies

A list of significant unlisted consolidated companies is disclosed in Note 23 of the “Financial reporting” section in this Annual Report.

#### 1.2 Significant shareholders

As of 20 November 2008, the von Finck group of shareholders (comprising August von Finck, Munich, Germany; Francine von Finck, Munich, Germany; August François von Finck, Zurich, Switzerland; Maximilian von Finck, Freienbach, Switzerland; and Maria Theresia von Finck, Munich, Germany, together with Von Roll Holding AG, Breitenbach, Switzerland [treasury shares]) declared a shareholding of 66.75%, which corresponds to 123,334,009 bearer shares.

On 15 March 2016, the company declared a purchase position amounting to 3.82% of the share capital registered in the commercial register (7,061,312 treasury shares) (31 December 2016: 3.83%, which corresponds to 7,079,601 treasury shares; 31 December 2015: 3.83%, which corresponds to 7,068,947 treasury shares) and a sale position amounting to 94.94% of the share capital registered in the commercial register (31 December 2016: 85.91%, which corresponds to 158,750,204 treasury shares; 31 December 2015: 13.76%, which corresponds to 25,416,870 treasury shares). The sale position covers the convertible bonds issued in 2014 and 2016.

Further details about the disclosure notifications can be found on the SIX Swiss Exchange website <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=VONROLL>.

### 1.3 Cross-shareholdings

There are no cross-shareholdings with other companies. Possible cross-shareholdings may result from the disclosed significant shareholder structure.

## 2. Capital structure

### 2.1 Capital

The share capital registered in the commercial register has a nominal value of CHF 18,477,888.90 as of 31 December 2016, which corresponds to 184,778,889 bearer shares each with a par value of CHF 0.10. Due to the conversion of some of the convertible bonds issued in 2014, the share capital issued as of 31 December 2016 has a nominal value of CHF 20,144,555.50, which corresponds to 201,445,555 bearer shares each with a par value of CHF 0.10.

### 2.2 Conditional and authorised capital

The Annual General Meeting on 13 April 2016 increased the conditional capital of CHF 3,000,000 approved at the Annual General Meeting on 9 April 2014 by CHF 6,238,944.40 to CHF 9,238,944.40. The Board of Directors is thus entitled to increase the company's share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 to be subscribed for by exercising conversion rights granted in connection with debentures or similar bonds of Von Roll Holding AG or Group companies. The holders of conversion rights at that time are entitled to acquire the new shares. Shareholders' subscription rights are excluded. Shareholders' advance subscription rights can be restricted or excluded by a decision of the Board of Directors to finance or refinance the acquisition of companies, parts of companies or investments or new investments planned by the company, or to issue convertible bonds on national or international capital markets. If advance subscription rights are excluded, the bonds are to be placed at market conditions, the period for exercising the conversion rights is to be set at a maximum of ten years from bond issuance and, when conversion rights are exer-

cised, new shares are to be issued at conditions which take the market price of the shares into account. As some of the convertible bonds for 2014–2020 were converted, the amount of conditional capital was reduced by CHF 1,666,666.60.

The Annual General Meeting on 13 April 2016 then created authorised capital. This entitles the Board of Directors to increase the company's share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 at any time until 13 April 2018. Increases by means of firm underwriting (by a bank, a banking syndicate or a third party) and increases by partial amounts are permitted. The Board of Directors determines the time of issue, the issue price, the type of contribution to be made and the timing of dividend entitlement. The Board of Directors is also entitled to enable, restrict or prohibit trading in subscription rights. The Board of Directors may place subscription rights which are not exercised or shares for which subscription rights are granted but not exercised at market conditions or make use of them in another way in the interest of the company. The Board of Directors is entitled to restrict or suspend shareholders' subscription rights in order to use the shares in connection with mergers and acquisitions (including takeovers) of companies, parts of companies or shareholdings or with new investments planned by the company and/or Group companies, financing or refinancing such mergers, acquisitions or planned new investments or converting loans or financial liabilities.

### 2.3 Changes in share capital

Converting 40,000 rights to the convertible bonds issued in 2014 led to the share capital being increased by a nominal value of CHF 1,666,666.60 in the reporting year, which corresponds to 16,666,666 bearer shares each with a par value of CHF 0.10, from a nominal value of CHF 18,477,888.90, which corresponds to 184,778,889 bearer shares each with a par value of CHF 0.10, to a nominal value of CHF 20,144,555.50, which corresponds to 201,445,555 bearer shares each with a par value of CHF 0.10 (see also section 2.1). The capital had not changed in the two years before the reporting year.

## 2.4 Shares and participation certificates

As of 31 December 2016, 201,445,555 bearer shares with a nominal value of CHF 0.10 had been issued and were fully paid up. One bearer share carries one voting right. There were no participation certificates outstanding.

## 2.5 Bonus certificates

Von Roll Holding AG has not issued any bonus certificates.

## 2.6 Limitations on transferability and nominee registrations

There are no limitations on transferability or nominee registrations.

## 2.7 Convertible bonds and options

### 2.7.1 Convertible bonds

As of 11 April 2016, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL16; Swiss security number: 31954490; ISIN: CH0319544901) of CHF 150 million due in 2022. They are convertible into 150,000,000 bearer shares (subject to any adjustments due to the dilution protection clause) of Von Roll. The shares to be delivered upon conversion of the bonds will be new shares made available from the conditional share capital and, insofar as necessary, from the authorised share capital (see section 2.2).

The conversion price is set at CHF 1.00. The offering and redemption price are set at 100% each. The convertible bonds will carry a coupon of 1.000% per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for one existing share. Accordingly, based on an issue total of CHF 150 million, each shareholder has the right to purchase a bond of CHF 1,000 nominal amount for every 1,185 shares held on 22 March 2016 after the end of trading. Any exercise of conversion rights will dilute earnings per share. The convertible bond can be redeemed early at any time if more than

85% of the original bond total is converted and/or redeemed or, after 2 May 2018, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange is 130% or more of the conversion price over a period of 20 out of 30 consecutive trading days (see also Note 31 on page 76 and Note 7 on page 98).

As of 18 June 2014, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL14; Swiss security number: 24523928; ISIN: CH0245239287) of CHF 61 million due in 2020. They are convertible into 25,416,870 bearer shares (subject to any adjustments due to the dilution protection clauses) of Von Roll. The shares to be delivered upon conversion of the bonds will be shares made available from the conditional new share capital (see section 2.2).

The conversion price is set at CHF 2.40. The offering and redemption price are set at 100% each. The convertible bonds will carry a coupon of 1.250% per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for seven existing shares. Accordingly, based on an issue total of CHF 61 million, each shareholder has the right to purchase a bond of CHF 1,000 nominal amount for every 2,913 shares held on 2 June 2014 prior to the start of trading. Any exercise of conversion rights will dilute earnings per share. The convertible bond can be redeemed early at any time if more than 85% of the original bond total is converted and/or redeemed or, after 9 July 2016, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange (SIX) is 130% or more of the conversion price over a period of 20 out of 30 consecutive trading days (see also Note 31 on page 77 and Note 7 on page 98).

### 2.7.2 Options

A stock option plan was introduced in 2008 for senior and middle management which expired at the end of January 2014 and was not renewed.

### 3. Board of Directors

#### 3.1 Members of the Board of Directors

As of 31 December 2016, the Board of Directors of Von Roll Holding AG comprises the following members:

Name	Nationality	Born	Member since	Function
Dr. Peter Kalantzis	CH/GR	1945	2007	Chairman, non-executive
Guido Egli	CH	1951	2007	Vice-Chairman, non-executive
Gerd Amtstätter	D	1943	2007	Member, non-executive
Gerd Peskes	D	1944	2000	Member, non-executive
August François von Finck	CH	1968	2010	Member, non-executive
Dr. Christian Hennerkes	D	1971	2016	Delegate, executive

#### Dr. Peter Kalantzis

Chairman since 12/2010, previously Member, Swiss and Greek national

Dr. rer. pol., University of Basel, Switzerland

#### Professional career

1971 – 1990:

Various management positions, last position as Delegate of the Board of Directors of Lonza AG, Basel, Switzerland

1991 – 2000:

General Director and Member of the Executive Management of the Alusuisse-Lonza Group AG, Zurich, Switzerland; from 1991 to 1996 Head of the Chemistry division and then responsible for Group development from 1997 to 2000

#### Other activities

Chairman of the Board of Directors of Clair AG, Cham, Switzerland; Chairman of the Board of Directors of Degussa Sonne/Mond Goldhandel AG, Cham, Switzerland; Member of the Board of Directors of Mövenpick Holding AG, Baar, Switzerland; Member of the Board of Directors of CNH Industrial NV, Amsterdam, Netherlands; Member of the Board of Directors of Paneuropean Oil and Industrial Holding SA, Luxembourg; Member of the Board of Directors of Consolidated Lamda Holdings Ltd., Luxembourg; Member of the Board of Directors of SGS SA (Société Générale de Surveillance), Geneva, Switzerland; Chairman of the Board of Directors of Hardstone Services SA, Geneva, Switzerland



### **Guido Egli**

Vice-Chairman  
Swiss national

Degree from University  
of Applied Sciences, Switzerland,  
and degree from the  
London Business School, UK

### **Professional career**

1977 – 2001:

Various management positions, e.g. as Director Sales and Marketing with the Emmi Group, CEO and Delegate of the Board of Directors of Hero, Lenzburg, Switzerland

1996:

Foundation of own consulting company “ifm Food Marketing”, Lucerne, Switzerland, with various consultancy mandates in Switzerland and abroad

2001 – 2014:

Mövenpick Foods Switzerland Ltd., Baar, Switzerland, Chairman of the Board of Directors and CEO

2006 – 2014:

Mövenpick Holding AG, Baar, Switzerland, CEO

### **Other activities**

Chairman of the Board of Directors of Kursaal-Casino AG, Lucerne, Switzerland; Chairman of the Board of Directors of Grand Casino Luzern AG, Lucerne, Switzerland; Chairman of the Board of Directors of Casino Online AG, Lucerne, Switzerland; Chairman of the Board of Directors of Parkhaus Casino-Palace AG, Lucerne, Switzerland; Chairman of the Board of Directors of Meyerhans Mühlen AG, Weinfelden, Switzerland; Member of the Board of Directors of Remimag Holding AG, Zug, Switzerland; Member of the Board of Directors of Remimag Gastronomie AG, Rothenburg, Switzerland; Member of the Board of Directors of Remimag AG, Rothenburg, Switzerland; Member of the Board of Directors of Reitzel S.A., Fribourg, Switzerland; Member of the Board of Directors of Provins société coopérative, Sion, Switzerland; Member of the Board of Directors of Gamag Management AG, Lucerne, Switzerland; Member of the Board of Directors of Valais Mundi SA, Sion, Switzerland; Member of the Board of Directors of Kuoni Global Travel Services AG, Zurich, Switzerland

**Gerd Amtstätter**

Member  
German national

Degree in law from the  
University of Munich, Germany

**Professional career**

1971 – 1975:  
Member of the management team of a medium-sized company

1975 – 1998:  
Government of the Free State of Bavaria, Germany, latterly as  
Assistant Secretary of State (Ministerialdirektor) at the Ministry  
of Finance

Since 1998:  
General Manager of von Finck'sche Hauptverwaltung

**Other activities**

Member of the Management Board of Nymphenburg Immo-  
bilien AG, Munich, Germany; Member of the Management Board  
of Amira Verwaltungs AG, Munich, Germany; Supervisory Board  
Chairman of Custodia Holding AG, Munich, Germany; Supervisory  
Board Chairman of Staatliche Mineralbrunnen AG, Bad Brückenau,  
Germany; Supervisory Board Chairman of Oppmann Immobilien AG,  
Würzburg, Germany; Member of the Advisory Board of FidesSecur  
Versicherungsmakler GmbH, Munich, Germany

**Gerd Peskes**

Member  
German national

Business degree from Bochum  
University of Applied Sciences,  
Germany, Professional accountant

**Professional career**

Since 1978:  
Managing Director of Gerd Peskes GmbH Wirtschaftsprüfung-  
gesellschaft, Düsseldorf, Germany

**Other activities**

Vice-Chairman of the Supervisory Board of Custodia Holding AG,  
Munich, Germany; Vice-Chairman of the Supervisory Board of  
Nymphenburg Immobilien AG, Munich, Germany; Member of the  
Supervisory Board of RHI AG, Vienna, Austria; Member of the  
Board of Directors of Mövenpick Holding AG, Baar, Switzerland;  
Member of the Board of Directors of Clair AG, Cham, Switzerland;  
Supervisory Board Chairman of ARAG SE, Düsseldorf, Germany;  
Vice-Chairman of the Supervisory Board of Apetito AG, Rheine,  
Germany; Member of the Supervisory Board of Claas KGaA, Harse-  
winkel, Germany; Chairman of the Supervisory Board of Substan-  
tia AG, Munich, Germany; Chairman of the Advisory Board of Katjes  
Holding GmbH & Co. KG, Emmerich, Germany; Member of the  
Advisory Board of LK Mahnke GmbH & Co. KG, Mühlheim, Germany

**August François von Finck**

Member  
Swiss national

Master of Business Administration (MBA),  
Georgetown University, USA,  
Bachelor of Science (BSc),  
Georgetown University, USA,  
Banking degree, Swiss Bank Corporation, Basel, Switzerland

**Professional career**

Entrepreneur

**Other activities**

Chairman of the Board of Directors of Carlton-Holding AG, Allschwil, Switzerland; Member of the Board of Directors of SGS SA, Geneva, Switzerland; Vice-Chairman of the Board of Directors of Bank von Roll AG, Zurich, Switzerland; Member of the Supervisory Board of Custodia Holding AG, Munich, Germany; Member of the Supervisory Board of Staatliche Mineralbrunnen AG, Bad Brückenau, Germany

**Dr. oec. Christian Hennerkes**

Delegate of the Board of Directors,  
Chief Executive Officer (CEO)  
German national

Doctorate in Economics from the University of Hohenheim, Germany, Law degree including legal traineeship (Constance, Stuttgart, San Francisco)

**Professional career**

2001 – 2005:

Worked at The Boston Consulting Group, most recently as Manager/Principal

2005 – 2015:

Director and Member of the management team of various companies in the consumer and industrial goods industry sector (including Unternehmensgruppe Theo Müller, Travel IQ GmbH, Menerga GmbH)

Since 2015:

Managing Director of Primus Ventures GmbH, Stuttgart, Germany

Since 1 October 2016:

Chief Executive Officer (CEO) of Von Roll Holding AG, Breitenbach, Switzerland

**Other activities**

Member of the Supervisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten-Tieringen, Germany

With the exception of Dr. Peter Kalantzis, who served as interim CEO of Von Roll Holding AG from 1 January to 14 April 2013, none of the non-executive Members of the Board of Directors belonged to either the Executive Management of Von Roll Holding AG or to one of its subsidiaries, nor did they have significant business relations with the latter during the reporting year or the three financial years preceding it.

### 3.2 Other activities and interests

Information on the other activities and interests of the Members of the Board of Directors is shown in section 3.1.

### 3.3 Number of permissible activities

The number of external offices is stipulated as follows with binding effect in the Articles of Association:

Members of the Board of Directors must not simultaneously hold more than 20 offices in top-tier management or administrative bodies of legal entities outside the Group which are subject to entry in the Swiss commercial register or a similar register in another country. Of these offices, no more than 15 may be exercised in listed legal entities. Multiple offices within the same group and offices exercised on behalf of a group or legal entity (including offices in care institutions, joint ventures and legal entities in which a significant stake is held) count as one office. Offices in non-profit or charitable legal entities such as clubs, associations and foundations are not subject to the above restrictions, but must not exceed 15.

### 3.4 Elections and terms of office

Each Director is elected by the Annual General Meeting for a one-year term, which runs until the end of the next Ordinary General Meeting. Directors may be re-elected with no restrictions. There is no age limit.

The Chairman of the Board of Directors and Members of the Remuneration Committee are also elected by the Annual General Meeting.

### 3.5 Internal organisation

The organisation of the Board of Directors and its committees is detailed in the organisational regulations. These are available on Von Roll Holding AG's website, [www.vonroll.com](http://www.vonroll.com), under "Rules of Organization" in the Corporate Governance section (<http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/rules-of-organization>). The following paragraphs summarise the main elements of the organisational regulations.

#### 3.5.1 Division of responsibilities on the Board of Directors

The Board of Directors constitutes itself subject to statutory regulations and the Articles of Association. The individual functions (Chairman, Vice-Chairman and Delegate) are listed in section 3.1.

The Chairman's responsibilities and competences particularly include preparing the agenda items for the Annual General Meeting and, together with the Delegate of the Board of Directors, for meetings of the Board of Directors, convening meetings of the Board of Directors, chairing the Annual General Meeting and meetings of the Board of Directors, ordering and monitoring the implementation of decisions of the Annual General Meeting and meetings of the Board of Directors, monitoring compliance with the guidelines and regulations on business policy approved by the Board of Directors, supervising and monitoring the business development and activities of the Executive Management on an ongoing basis, observing ad-hoc notification requirements in collaboration with the Executive Management and making executive decisions in urgent and unavoidable cases. The Vice-Chairman represents the Chairman if he is prevented from exercising his function.

The Delegate of the Board of Directors manages the Von Roll Group in the role of CEO. He helps the Chairman to prepare for the meetings of the Board of Directors. He also makes decisions in consultation with the Chairman in urgent cases.

#### 3.5.2 Membership of all committees of the Board of Directors, their responsibilities and the scope of their competences

The Board of Directors has the following committees:

##### Audit Committee

The Audit Committee is a standing committee of the Board of Directors. It supports the Board of Directors in the assumption of its responsibility for the Group in the area of financial reporting, the application of accounting standards and systems, and the external audit. The activities of the Audit Committee do not release the Board of Directors from its legal obligations and the decision-making power remains with the Board of Directors. The Audit Committee comprises Members of the Board of Directors Gerd Peskes (Chairman), Gerd Amtstätter and Dr. Peter Kalantzis.

### Remuneration Committee

The Remuneration Committee is a standing committee of the Board of Directors. It assists the Board of Directors with setting and reviewing the remuneration strategy and guidelines, and the qualitative and quantitative remuneration criteria as well as with preparing motions for the Annual General Meeting relating to the remuneration of the Board of Directors and the Executive Management. It is responsible for monitoring the selection of managers as well as their terms of employment. The Remuneration Committee has no decision-making powers. The duties and competences assigned to the Board of Directors under the organisational regulations and by law remain with the full Board of Directors. The Remuneration Committee comprises the Members of the Board of Directors Gerd Amtstätter (Chairman), Guido Egli and August François von Finck.

#### 3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors and its committees make their decisions and decide elections with an absolute majority of the votes cast. In the event of a tied vote, the respective Chairman has the casting vote. The CFO participates in an advisory capacity without voting rights in meetings of the Board of Directors for the agenda items relating to business activities. The CEO and CFO regularly attend meetings of the Audit Committee and the CEO regularly participates in meetings of the Remuneration Committee. The Remuneration Committee can call in external specialists. The invitation letters to the meeting show all the agenda items that a Member of the Board of Directors, a committee or a Member of the Executive Management wishes to discuss. The dates for the ordinary meetings are set at an early stage so that all members are able to attend in person. The participants of the meeting receive detailed written documentation in advance for all motions. The Chairman convenes the Board of Directors as often as business operations require and when a member submits a request in writing specifying the desired agenda items. The Board of Directors met 15 times during the reporting year. Meetings lasted 41 hours and 5 minutes in total. The Audit Committee and Remuneration Committee assemble as often as business operations require and at least twice a year. During the reporting year, the Audit Committee met three times. Meetings lasted nearly 2 hours on average. The Remuneration Committee met three times in the reporting year. A typical meeting lasted around 30 minutes.

### 3.6 Powers and responsibilities

The Board of Directors is responsible for the company's overall management as well as supervising the management of Von Roll Holding AG and the Group, in particular with regard to compliance with legislation, the Articles of Association, regulations and instructions. The Board of Directors issues the necessary guidelines regarding business policy and receives regular reports about business development. It may give orders and instructions to the Members of the Executive Management. The powers and responsibilities and nature of cooperation between the Board of Directors and the Executive Management are stipulated in the organisational regulations. These are available on Von Roll Holding AG's website, [www.vonroll.com](http://www.vonroll.com), under "Rules of Organization" in the Corporate Governance section (<http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/rules-of-organization>). The Board of Directors has delegated responsibility for business operations to the Delegate of the Board of Directors/CEO of Von Roll Holding AG. However, the Board of Directors makes decisions regarding acquisitions and divestments. The Board of Directors also decides on investments in technology, depending on the type of investment concerned, that exceed CHF 1 million, as well as any operating expenditure or contracts which involve Von Roll making a commitment in excess of CHF 10 million. Furthermore, the Board of Directors decides on any other matters that are relevant to the Group and cannot be delegated by law.

### 3.7 Information and instruments for monitoring the Executive Management

The Delegate of the Board of Directors/CEO forms the link between the Board of Directors and the Executive Management. He ensures that the Chairman is regularly updated on business activities and all important issues and events. Each Member of the Board of Directors receives the detailed monthly financial statements plus comments and semi-annual and annual financial statements. The CEO and CFO also report regularly to the meetings of the Board of Directors on business activities and all matters relevant to the Group including significant legal cases. The CEO and CFO regularly attend the Audit Committee's meetings. The CEO regularly attends the Remuneration Committee's meetings, apart from when his remuneration is being discussed. Site visits complete the information received. Each year, based on the proposals of the Executive Management, the Board of Directors discusses and approves the next year's budget, which it then regularly reviews. Once a year, the Board of Directors reviews the strategic direction of the Group.

### 3.8 Risk management in the Group

The Board of Directors and Executive Management attach a great deal of importance to dealing carefully with risk and extended their risk management systems in the reporting year. In addition to ensuring that comprehensive and effective insurance cover is in place, risk management involves the systematic identification, assessment and reporting of strategic, operational and financial risk. Strategic risk is primarily assessed by the Board of Directors, while financial and operational risk is the responsibility of Executive Management. In 2014, a Risk Management Board headed by the CFO was introduced. The Risk Officer reports to Executive Management on risk management every six months. The Board of Directors is immediately advised of risks entailing a gross exposure in excess of CHF 25 million. Risk management is not only limited to the Group's finances but includes all business segments and companies and

is defined by the Risk Management Board. Suitable management tools were assigned to identified risks. According to their importance, risks were allocated to the key processes procurement, production and sales, and in accordance with risks to support processes such as IT communications technology and Human Resources. The risk assessment carried out is based on information obtained in interviews with key staff. Risks are categorised in accordance with the same framework as that used in the internal control system. For the top ten risks (including those which can lead to incorrect or fraudulent reporting), a detailed analysis of the probability of their occurring and their impact was carried out, which constitutes the basis for the introduction of an appropriate risk management process. New risks were also identified via direct contact between departments and the risk management team.



## 4. Executive Management

### 4.1 Members of the Executive Management

In the reporting year, the Executive Management of Von Roll Holding AG was made up as follows:

Name	Nationality	Born	Term of office	Function
Dr. Christian Hennerkes	D	1971	since 2016	Delegate of the Board of Directors and CEO
Stephan Kellmann	CH	1964	since 2010	CFO

#### Dr. oec. Christian Hennerkes

Delegate of the Board of Directors, Chief Executive Officer (CEO), German national

Doctorate in Economics from the University of Hohenheim, Germany, Law degree including legal traineeship (Constance, Stuttgart, San Francisco)

#### Professional career

2001 – 2005:  
Worked at The Boston Consulting Group, most recently as Manager/Principal

2005 – 2015:  
Director and Member of the management team of various companies in the consumer and industrial goods industry (including Unternehmensgruppe Theo Müller, Travel IQ GmbH, Menerga GmbH)

Since 2015:  
Managing Director of Primus Ventures GmbH, Stuttgart, Germany

Since 1 October 2016:  
Chief Executive Officer (CEO) of Von Roll Holding AG, Breitenbach, Switzerland

#### Other activities

Member of the Supervisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten-Tieringen, Germany

#### Stephan Kellmann

Chief Financial Officer (CFO), Swiss national

Swiss-educated graduate and expert in financial accounting and controlling

#### Professional career

1992 – 1995:  
Project Manager at Eastman Chemicals, Zug, Switzerland

1995 – 2003:  
Various management functions and, as Head of Reporting division, responsibility for all reporting at MBT Bauchemie, Zurich, Switzerland

2003 – 2007:  
Head of Group Controlling and Accounting of Mövenpick Group, Zurich, Switzerland

2007 – 2010:  
Chief Financial Officer (CFO) of Mövenpick Group, Zurich, Switzerland

Since 15 September 2010:  
Chief Financial Officer (CFO) of Von Roll Holding AG, Breitenbach, Switzerland

#### Other activities

Member of the Board of Directors of Oeschger Brandschutz AG, Steinhausen, Switzerland; Chairman of the Board of Directors of Norec Immobilien AG, Lucerne, Switzerland; Member of the Board of Directors of Spiller AG, Kriens, Switzerland; Member of the Board of Directors of Romaro Holding AG, Kriens, Switzerland

#### 4.2 Other activities and interests

Information on the other activities and interests of Executive Management Members is shown in section 4.1.

#### 4.3 Number of permissible activities

The number of external offices is stipulated as follows with binding effect in the Articles of Association:

Subject to the approval of the Board of Directors, Executive Management Members must not simultaneously hold more than five offices in top-tier management or administrative bodies of legal entities outside the Group which are subject to entry in the Swiss commercial register or a similar register in another country. Of these offices, no more than two may be exercised in listed legal entities. Multiple offices within the same group and offices exercised on behalf of a group or legal entity (including offices in care institutions, joint ventures and legal entities in which a significant stake is held) count as one office. Offices in non-profit or charitable legal entities such as clubs, associations and foundations are not subject to the above restrictions, but must not exceed 15.

#### 4.4 Management contracts

There are no management or service contracts with third parties.

### 5. Remuneration, profit-sharing and loans

The relevant information can be found in the Remuneration Report (see page 29 ff.).

## 6. Participatory rights of shareholders

#### 6.1 Voting right restrictions and representation

The company's Articles of Association do not contain any voting right restrictions and do not deviate from Swiss law with regard to the representation of voting rights. The Annual General Meeting adopts resolutions and conducts elections with a simple majority of the votes cast at the meeting, excluding any abstentions or invalid votes. This regulation applies unless stipulated otherwise by mandatory legal provisions or provisions set out in the Articles of Association. Each share carries one vote at the Annual General Meeting.

Each shareholder can be represented at the Annual General Meeting by the independent voting representative or a third party. The independent voting representative is obliged to exercise the voting rights represented by him as instructed. If he has not received any instructions, he abstains from the vote. The Board of Directors ensures that shareholders can also give powers and instructions to the independent voting representative electronically.

The independent voting representative is elected by the Annual General Meeting for a one-year term, which runs until the end of the next Ordinary General Meeting. Voting representatives may be re-elected.

#### 6.2 Quorum stipulated in the Articles of Association

A decision by the Annual General Meeting on the winding-up of the company without liquidation requires at least two thirds of the votes represented and an absolute majority of the nominal value of the shares represented. Moreover, in accordance with the Articles of Association, the statutory quorums in accordance with Art. 703 and 704 of the Swiss Code of Obligations will apply to resolutions made by the Annual General Meeting.

#### 6.3 Convening of the Annual General Meeting

The Articles of Association do not contain any rules that deviate from Swiss law with regard to the convening of the Annual General Meeting. The Ordinary General Meeting takes place annually, no later than six months after the end of the financial year. The meeting is convened by the Board of Directors. The invitation to the Annual General Meeting is published once in the "Swiss Official Gazette of Commerce" (SOGC). One or more shareholders who together represent at least 10% of the share capital may call for an Extraordinary General Meeting; Extraordinary General Meetings must take place within 90 days of receipt of such a request.

#### 6.4 Agenda

Shareholders who together represent at least 3% of the share capital or shares with a nominal value of CHF 1 million can ask for an item to be included on the agenda for discussion, but no later than 40 days before the day of the meeting. Requests must be submitted in writing.

### 6.5 Entries in the share register

The share capital of the company is exclusively comprised of bearer shares and consequently no share register is kept.

## 7. Change of control and defence measures

### 7.1 Duty to make a public offer

After the Annual General Meeting of 20 April 2012 resolved to include an “opt-out” clause in the Articles of Association (Art. 4a), parties purchasing shares in the company are exempt from the obligation to make a public offer to purchase.

### 7.2 Change of control clauses

There are no significant contractual agreements with the Board of Directors or the Executive Management in the event of a change of control. The Articles of Association do not contain any change of control clauses in favour of Members of the Board of Directors and/or Executive Management.

## 8. Auditor

### 8.1 Duration of mandate and term of office of the auditor in charge

#### 8.1.1 Time of assumption of the current audit mandate

In 2004, Deloitte AG, Zurich, was registered in the commercial register as the auditor for Von Roll Holding AG. The auditor is appointed on each occasion by the Annual General Meeting for one financial year, and the same auditor may be reappointed in the next financial year. The applicable statutory maximum term of office for an auditor in charge of seven years (Art. 730a Para. 2 Swiss Code of Obligations) is not limited by the Articles of Association.

#### 8.1.2 Assumption of office of the auditor in charge who is responsible for the current audit mandate

Mr. Patrick Fawer was appointed auditor in charge for the first year.

### 8.2 Auditing fee

The fee paid to the auditor for the audit of the 2016 financial statements was TCHF 586 in total (2015: TCHF 548).

### 8.3 Additional fees

During the period under review, additional fees of around TCHF 36 (2015: TCHF 69) were paid for additional services relating to tax, compliance and other services. In financial year 2016, TCHF 27 were paid for tax advice and TCHF 9 for additional audit-related services.

### 8.4 External audit information tools

The Audit Committee oversees the activities of the auditors. The Audit Committee of the Board of Directors assesses the performance, remuneration and independence of the external auditor annually. The Board of Directors proposes the election of the external auditor to the Annual General Meeting based on the recommendation of the Audit Committee. The Audit Committee assesses the scope of the audit by the external auditor and the relevant procedures annually and discusses the audit findings with the external auditor. During the reporting year, three meetings were held with the representatives of the external auditor.

## 9. Information policy

Von Roll Holding AG pursues a policy of transparent, truthful and proactive information. Whenever possible, employees are informed first. Shareholders receive information through the Annual Report, Semi-annual Report, media releases, the Internet and at the Annual General Meeting. Von Roll Holding AG reports and comments on its results on a half-yearly basis. Moreover, Von Roll Holding AG provides continuous information on important events according to the rules of ad-hoc notifications. Upon request, shareholders can receive media releases from the press office by e-mail. These can be requested from Von Roll Holding AG, Steinacherstrasse 101, CH-8804 Au/Wädenswil, phone +41 (0)44 204 35 29, fax +41 (0)44 204 30 07 or e-mail investor@vonroll.com. Von Roll Holding AG publishes all events that are relevant to the stock quotation in accordance with the guidelines of SIX Swiss Exchange.

# Remuneration Report 2016

## 1. Remuneration philosophy and basic principles

### 1.1 General

The Remuneration Report lays down the remuneration principles and the governance framework for the remuneration of the Board of Directors and the Members of the Executive Management of Von Roll Holding AG. The report also contains details of remuneration policy and the remuneration paid to the above bodies in financial year 2016.

Unless indicated otherwise, all information provided in this report relates to the financial year that ended on 31 December 2016. The report is in line with Art. 13 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the “Swiss Code of Best Practice for Corporate Governance” issued by Economiesuisse, Section 5.1 of the Annex to the SIX Swiss Exchange’s Directive on Information relating to Corporate Governance, and the Swiss Code of Obligations.

### 1.2 Corporate governance as the basis for compensation policy

The principles of our remuneration system for the Board of Directors and the Executive Management are included in the Articles of Association.

### 1.3 ERCO

The remuneration system and employment contracts with Members of the Executive Management comply with the ERCO.

### 1.4 Responsibilities

#### 1.4.1 Board of Directors

The Board of Directors is responsible for the Group’s remuneration system and for drafting corresponding motions for the Annual General Meeting.

#### 1.4.2 Remuneration Committee

The Remuneration Committee comprises three Members of the Board of Directors. Each Member of the Remuneration Committee is elected by the Annual General Meeting for a one-year term, which runs until the end of the next Ordinary General Meeting. Committee members may be re-elected. The Board of Directors appoints one Member of the Remuneration Committee as its chairman and determines the committee’s duties and powers. The Remuneration Committee assists the Board of Directors with setting and reviewing the company’s remuneration strategy and

guidelines, and the qualitative and quantitative remuneration criteria as well as with preparing motions for the Annual General Meeting relating to the remuneration of the Board of Directors and the Executive Management. It can make suggestions and recommendations to the Board of Directors regarding other remuneration issues. The Remuneration Committee can call in external specialists.

The Remuneration Committee is made up of Gerd Amtstätter (Chairman of the Remuneration Committee), Guido Egli and August François von Finck, all of whom are Members of the Board of Directors. The CEO usually attends Remuneration Committee meetings in an advisory capacity, apart from when his remuneration is being discussed. The Remuneration Committee met three times during the reporting year. Meetings lasted around 30 minutes on average. The Chairman of the Remuneration Committee reports to the Board of Directors on the committee’s activities. Members of the Board of Directors are provided with minutes of committee meetings.

#### 1.4.3 CEO and the Executive Management

Headed by the CEO, the Executive Management reviews the targets set for the management team’s performance-related bonus scheme based on the Remuneration Committee’s specifications.

## 1.5 Principles and components of remuneration

### 1.5.1 General principles

The Board of Directors may decide to pay remuneration, wholly or partially, in cash, restricted company shares or future subscription rights to shares. The Board of Directors determines the timing of the allocation, the length of the restricted period and any discount, bearing in mind the length of the restricted or vesting period. The restricted or vesting period shall be at least three years, although the Board of Directors may agree on a shorter period in justified cases. The Board of Directors may stipulate that, should a certain event specified in advance ultimately occur, such as the termination of an employment or mandate relationship or a change of control, then restricted or vesting periods will continue to apply, be shortened or be cancelled, or remuneration will be paid out (assuming targets have been met) or forfeited.

If shares or future subscription rights to shares are to be allocated or other remuneration components granted, the remuneration amount shall correspond to the value accorded to these remuneration components at the time of their allocation in accordance with generally recognised valuation methods.

In respect of duties performed in legal entities of the Group or on behalf of a legal entity of the Group, these entities may grant remuneration to the Members of the Board of Directors and the Executive Management insofar as the amounts concerned do not exceed the limit approved by the Annual General Meeting or the additional limit in accordance with Art. 32 Para. 6 of the Articles of Association.

Within the scope permissible by law, the company may compensate Members of the Board of Directors and the Executive Management for losses incurred in conjunction with lawsuits, proceedings or settlements related to their activities for the company and may advance relevant sums and take out insurance policies. Compensation, advances and insurance policies of this kind are not deemed to be remuneration.

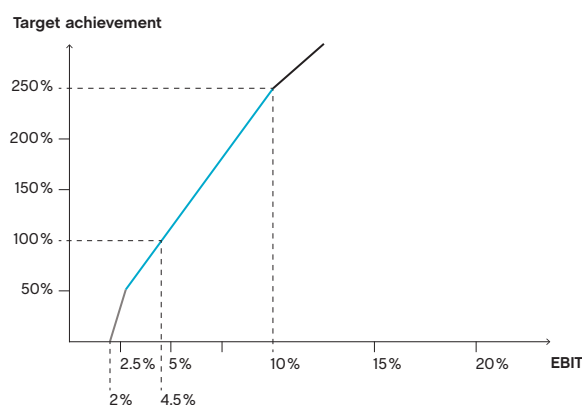
### 1.5.2 Components of the Board of Directors' remuneration

Members of the Board of Directors receive fixed remuneration for their activities. Their expenses are also reimbursed. Reimbursed expenses (including lump-sum expenses) are not deemed to be remuneration. Supplements may be paid for being a member of a committee or for undertaking specific duties or projects.

### 1.5.3 Components of the Executive Management's remuneration

Members of the Executive Management receive a fixed basic remuneration component and a variable component for their activities. Their expenses are also reimbursed. Reimbursed expenses (including lump-sum expenses) are not deemed to be remuneration. The variable remuneration component is performance- and/or success-related and is calculated based on criteria set by the Board of Directors as a basic principle. These criteria focus in particular on the Group's key financial ratios or elements thereof. As a basic principle, the variable component may amount to no more than 100% of the fixed component at the time it is paid out.

A new bonus model was introduced for the Executive Management and the management team on 1 January 2014. The model is based on the actual figures for the "operating margin" (EBIT margin) from the relevant year.



The Executive Management receives a target bonus of 40% of their respective annual salary (= 100%) in accordance with the following parameters:

EBIT margin	Percentage of target bonus
<2.0 %	0 %
2.5 %	50 %
4.5 %	100 %
10 %	250 %

## 1.6 Approval procedure

### 1.6.1 General information

The Annual General Meeting will in future approve the maximum remuneration for Members of the Board of Directors with binding effect when the Ordinary General Meeting convenes each year, with this remuneration limit then applying until the next Ordinary General Meeting.

The Annual General Meeting shall approve the maximum amount for fixed remuneration components for the following financial year for Members of the Executive Management with binding effect when the Ordinary General Meeting convenes each year.

The Annual General Meeting shall approve the total variable remuneration components for the previous financial year for Members of the Executive Management with binding effect when the Ordinary General Meeting convenes each year.

The Annual General Meeting can approve a retrospective increase in a total amount already approved at any time.

If the Annual General Meeting withholds its approval, the Board of Directors may submit new motions for approval at the same Annual General Meeting. If the Board of Directors does not submit any new motions or if the Annual General Meeting rejects the new motions as well, the Board of Directors can convene a new General Meeting.

For appointments of new Members of the Executive Management made after the Annual General Meeting has given its approval, the additional limit for each new member shall be 150% of the highest remuneration amount paid to a Member of the Executive Management at the last Ordinary General Meeting in the previous financial year. This additional remuneration does not need to be approved by the Annual General Meeting.

### 1.6.2 Appointment of Members of the Executive Management

The Board of Directors appoints the Members of the Executive Management.

### 1.6.3 Number of external offices and positions

The number of external offices and positions is stipulated with binding effect in the Articles of Association.

### 1.6.4 Contracts with Members of the Board of Directors and Executive Management

Contracts with Members of the Board of Directors and the Executive Management on which their remuneration is based may be temporary or permanent. The maximum term of a temporary contract is one year. Contracts may be renewed. Notice periods for permanent contracts cannot be any longer than one year.

The notice period for the CEO and the other Members of the Executive Management is 12 months. All employment contracts with Members of the Executive Management comply with the legislation and the provisions of the ERCO.

### 1.6.5 Severance pay

The employment contracts concluded with Members of the Executive Management do not provide for any severance pay. Similarly, the contracts of the Members of the Board of Directors and the Executive Management do not include any "golden parachutes" or any other special benefits in the event of a change of control.



## 2. Remuneration in financial year 2016

### 2.1 Remuneration of the Board of Directors (audited)

#### 2.1.1 Board of Directors' fee

The following remuneration was paid to Members of the Board of Directors for financial year 2016:

in CHF 1,000	Function	Fixed fee <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Dr. Peter Kalantzis	Chairman	294	-	-	14	308
Guido Egli	Vice-Chairman	144	-	-	8	152
Gerd Amtstätter	Member	94	-	-	-	94
Gerd Peskes	Member	94	-	-	-	94
August François von Finck	Member	94	-	-	6	100
Dr. Christian Hennerkes	Delegate	94	-	-	6	100
<b>Total</b>		<b>814</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>848</b>

<sup>1</sup> Gross salary, i.e. before deducting social security contributions, withholding tax, etc.

<sup>2</sup> Other remuneration does not include any lump-sum expenses.

<sup>3</sup> Statutory charges and contributions to occupational provisioning schemes such as the pension fund and management insurance.

The following remuneration was paid to Members of the Board of Directors for the previous year, 2015:

in CHF 1,000	Function	Fixed fee <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Dr. Peter Kalantzis	Chairman	294	-	-	14	308
Guido Egli	Vice-Chairman	144	-	-	9	153
Gerd Amtstätter	Member	94	-	-	-	94
Gerd Peskes	Member	94	-	-	-	94
August François von Finck	Member	94	-	-	6	100
<b>Total</b>		<b>720</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>749</b>

<sup>1</sup> Gross salary, i.e. before deducting social security contributions, withholding tax, etc.

<sup>2</sup> Other remuneration does not include any lump-sum expenses.

<sup>3</sup> Statutory charges and contributions to occupational provisioning schemes such as the pension fund and management insurance.

#### 2.1.2 Other remuneration

Apart from the amounts disclosed here, no Member of the Board of Directors received any additional fees or compensation in 2016 for services provided to Von Roll. In particular, no additional compensation was paid for being a member of a committee or undertaking specific duties or projects in financial year 2016.

## 2.2 Remuneration of the Executive Management (audited)

### 2.2.1 Short-term remuneration

The Members of the Executive Management received remuneration totalling CHF 2.2 million in 2016 (2015: CHF 2.3 million). This sum comprises fixed basic salaries of CHF 1.7 million (2015: CHF 1.6 million), short-term performance bonuses of CHF 0 million (2015: CHF 0 million) and social security contributions of CHF 0.4 million (2015: CHF 0.4 million).

The following remuneration was paid to Members of the Executive Management for financial year 2016:

in CHF 1,000	Function	Basic salary <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Achim Klotz	CEO	700	–	17	151	868
	Head of the Insulation division					
Dr. Christian Hennerkes	CEO	150	–	3	28	181
Stephan Kellmann	CFO	490	–	17	112	618
Dr. Bernhard Fritsche	Head of the Composites division	400	–	15	94	509
<b>Total</b>		<b>1,740</b>	<b>–</b>	<b>52</b>	<b>385</b>	<b>2,177</b>

<sup>1</sup> Gross salary, i.e. before deducting social security contributions, withholding tax, etc.

<sup>2</sup> The other remuneration comprises lump-sum compensation (TCHF 33) and child allowances (TCHF 19).

<sup>3</sup> Statutory charges and contributions to occupational provisioning schemes such as the pension fund and management insurance.

The following remuneration was paid to Members of the Executive Management for the previous year, 2015:

in CHF 1,000	Function	Basic salary <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Achim Klotz	CEO	700	–	271	169	1,140
	Head of the Insulation division					
Stephan Kellmann	CFO	490	–	13	112	615
Dr. Bernhard Fritsche	Head of the Composites division	400	–	15	106	521
<b>Total</b>		<b>1,590</b>	<b>–</b>	<b>299</b>	<b>387</b>	<b>2,276</b>

<sup>1</sup> Gross salary, i.e. before deducting social security contributions, withholding tax, etc.

<sup>2</sup> Other remuneration comprises compensation of TCHF 253 paid to the CEO.

The remaining other remuneration comprises lump-sum compensation (TCHF 29) and child allowances (TCHF 17).

<sup>3</sup> Statutory charges and contributions to occupational provisioning schemes such as the pension fund and management insurance.

### 2.2.2 Long-term remuneration

No long-term remuneration is planned.

### 2.2.3 Other remuneration

Apart from the amounts disclosed here, no Member of the Executive Management received any additional fees or compensation in 2016 for services provided to Von Roll.

### 2.3 Remuneration of former Members of the Board of Directors and Executive Management (audited)

No compensation was paid to former Members of the Board of Directors or Executive Management in financial year 2016.

### 2.4 Loans (audited)

#### 2.4.1 Board of Directors

No Members of the Board of Directors were granted loans in financial year 2016. No loans were outstanding at the end of the reporting year.

#### 2.4.2 Executive Management

No Members of the Executive Management were granted any loans in financial year 2016. No loans were outstanding at the end of the reporting year.

#### 2.4.3 Former Members of the Board of Directors and Executive Management

No former Members of the Board of Directors or Executive Management were granted any loans not on standard market terms during the financial year and there are no such loans outstanding.

### 2.5 Remuneration and loans to related parties (audited)

No remuneration not in line with standard market practice was granted either directly or indirectly to any related parties in financial year 2016. In addition, no related parties were granted any loans not on standard market terms and there are no such loans outstanding.

### 2.6 Shareholdings

#### 2.6.1 Shares held by Members of the Board of Directors

The Members of the Board of Directors held the following number of shares as at 31 December of the respective year:

Number of shares	2016	2015
Dr. Peter Kalantzis	1,333	1,333
Guido Egli	1,067	1,067
Gerd Amtstätter	466,667	466,667
Gerd Peskes	0	0
August François von Finck	23,800,000	23,800,000
Dr. Christian Hennerkes	5,400,000	0
<b>Total</b>	<b>29,669,067</b>	<b>24,269,067</b>

#### 2.6.2 Shares held by Members of the Executive Management

The Members of the Executive Management held the following number of shares as at 31 December of the respective year:

Number of shares	2016	2015
Dr. Christian Hennerkes, CEO	5,400,000	0
Stephan Kellmann, CFO	0	0
<b>Total</b>	<b>5,400,000</b>	<b>0</b>

### 2.7 Convertible bonds

#### 2.7.1 Convertible bonds held by Members of the Board of Directors

Members of the Board of Directors held 27,294 convertible bonds of Von Roll Holding AG at the end of the reporting year.

#### 2.7.2 Convertible bonds held by Members of the Executive Management

No convertible bonds of Von Roll Holding AG were held by Members of the Executive Management at the end of the reporting year.

## Report of the Statutory Auditor

To the General Meeting of  
VON ROLL HOLDING AG, BREITENBACH

### Auditor's report on the Remuneration Report

We have audited the Remuneration Report dated 2 March 2017 of Von Roll Holding AG on pages 32 to 34, covering the financial year ended 31 December 2016.

### Responsibility of the Board of Directors

The Board of Directors is responsible for preparing the Remuneration Report and ensuring its proper overall presentation in compliance with the law and the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). It also bears responsibility for formulating basic remuneration principles and setting individual remuneration amounts.

### Auditor's Responsibility

Our responsibility is to express an opinion on this Remuneration Report based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. These standards require that we observe the rules of professional conduct and that we plan and perform the audit to obtain reasonable assurance that the Remuneration Report complies with the law and Art. 14 to 16 of the ERCO.

An audit involves performing procedures to obtain audit evidence about the disclosures made in the Remuneration Report regarding remuneration and loans in accordance with Art. 14 to 16 of the ERCO. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the Remuneration Report, whether due to fraud or error. This audit also includes evaluating the appropriateness of the methods used to value remuneration components and 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 audit opinion.

### Opinion

In our opinion, the Remuneration Report of Von Roll Holding AG for the year ended 31 December 2016 complies with the law and Art. 14 to 16 of the ERCO.

DELOITTE AG



Patrick Fawer  
Licensed Audit Expert  
Auditor in Charge



Christophe Aebi  
Licensed Audit Expert

Zurich, 2 March 2017





# Financial reporting

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## Consolidated statement of comprehensive income for the financial year 2016

in CHF 1,000	Note	2016	2015 (restated)
<b>Net sales</b>	4	<b>328,110</b>	<b>354,806</b>
Cost of goods sold	6	- 272,673	- 306,377
<b>Gross profit</b>		<b>55,437</b>	<b>48,429</b>
Research and development expense	6	- 7,335	- 8,372
Sales and distribution expense	6	- 21,592	- 22,868
Administrative expense	6	- 41,946	- 38,189
Other operating income	10	3,413	1,989
Other operating expense	11	- 10,256	- 5,073
Thereof restructuring expense	6/13	- 7,515	- 4,125
Income from investment property	12	2,216	1,049
<b>EBIT</b>		<b>- 20,063</b>	<b>- 23,035</b>
Financial income	14	4,882	6,332
Financial expense	15	- 16,564	- 18,712
<b>Result before tax</b>		<b>- 31,745</b>	<b>- 35,415</b>
Income tax	16	1,455	540
<b>Net income for the period</b>		<b>- 30,290</b>	<b>- 34,875</b>
Exchange differences arising from translation of foreign operations		1,409	- 8,303
<b>Other comprehensive income that will be reclassified to income statement</b>		<b>1,409</b>	<b>- 8,303</b>
Remeasurement of defined benefit liabilities and assets	38	- 1,565	- 12,147
Income tax on remeasurement of defined benefit liabilities and assets		452	2,645
<b>Other comprehensive income that will not be reclassified to income statement</b>		<b>- 1,113</b>	<b>- 9,502</b>
<b>Other comprehensive income for the period</b>		<b>296</b>	<b>- 17,805</b>
<b>Total comprehensive income for the period</b>		<b>- 29,994</b>	<b>- 52,680</b>
<b>Net income attributable to:</b>			
Owners of the parent		- 30,194	- 34,697
Non-controlling interests		- 96	- 178
<b>Net income for the period</b>		<b>- 30,290</b>	<b>- 34,875</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		- 29,898	- 52,502
Non-controlling interests		- 96	- 178
<b>Total comprehensive income for the period</b>		<b>- 29,994</b>	<b>- 52,680</b>
<b>Earnings per share</b>			
Weighted average number of shares outstanding	17	180,982,212	177,708,224
Basic earnings per share in CHF	17	- 0.167	- 0.195
Diluted earnings per share in CHF	17	- 0.167	- 0.195

## Consolidated statement of financial position as at 31 December 2016

### Assets

in CHF 1,000	Note	31.12.2016	in %	31.12.2015	in %
<b>Current assets</b>					
Cash and cash equivalents	29	29,012		70,348	
Trade accounts receivable	27	54,038		59,688	
Inventories	25	63,607		60,474	
Tax receivables	16	5,313		6,355	
Current financial assets	22	308		602	
Other accounts receivable and prepaid expense	28	16,002		20,073	
<b>Total current assets</b>		<b>168,280</b>	<b>45.2 %</b>	<b>217,540</b>	<b>52.8 %</b>
<b>Non-current assets</b>					
Property, plant and equipment	18	126,153		118,650	
Goodwill	19	11,130		12,774	
Intangible assets	20	16,698		18,142	
Investment property	21	6,730		8,301	
Non-current financial assets	22	3,011		2,468	
Pension plan assets	38	14,686		13,065	
Deferred tax assets	16	25,255		21,153	
<b>Total non-current assets</b>		<b>203,663</b>	<b>54.8 %</b>	<b>194,553</b>	<b>47.2 %</b>
<b>Total assets</b>		<b>371,943</b>	<b>100.0 %</b>	<b>412,093</b>	<b>100.0 %</b>

### Equity and liabilities

in CHF 1,000	Note	31.12.2016	in %	31.12.2015	in %
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade accounts payable	33	24,912		26,273	
Current tax payables	16	2,107		3,056	
Current financial liabilities	31	1,227		152,868	
Current provisions	32	9,462		13,782	
Other liabilities and accruals	34	32,924		31,614	
<b>Total current liabilities</b>		<b>70,632</b>	<b>19.0 %</b>	<b>227,593</b>	<b>55.2 %</b>
<b>Non-current liabilities</b>					
Non-current financial liabilities	31	148,788		54,188	
Post-employment benefit obligations	38	30,491		35,056	
Deferred tax liabilities	16	6,205		4,904	
Non-current provisions	32	16,940		18,354	
<b>Total non-current liabilities</b>		<b>202,424</b>	<b>54.4 %</b>	<b>112,502</b>	<b>27.3 %</b>
<b>Total liabilities</b>		<b>273,056</b>	<b>73.4 %</b>	<b>340,095</b>	<b>82.5 %</b>
<b>Equity</b>					
Share capital	30	20,145		18,479	
Group reserves		79,430		54,114	
<b>Equity attributable to owners of the parent company</b>		<b>99,575</b>	<b>26.8 %</b>	<b>72,593</b>	<b>17.6 %</b>
Non-controlling interests		- 688	- 0.2 %	- 595	- 0.1 %
<b>Total equity</b>		<b>98,887</b>	<b>26.6 %</b>	<b>71,998</b>	<b>17.5 %</b>
<b>Total equity and liabilities</b>		<b>371,943</b>	<b>100.0 %</b>	<b>412,093</b>	<b>100.0 %</b>

## Consolidated cash flow statement for the financial year 2016

in CHF 1,000	Note	2016	2015
<b>Operating activities</b>			
Result before tax		- 31,745	- 35,415
Financial result	14/15	11,682	12,380
Depreciation, amortisation and impairment	9	23,428	16,984
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>3,365</b>	<b>- 6,051</b>
Result from the disposal of non-current assets	10	- 2,420	- 864
Result from the disposal of investment property	12	- 1,332	- 95
Changes in non-current provisions		- 7,700	- 4,395
<b>Cash flow before changes in net working capital</b>		<b>- 8,087</b>	<b>- 11,405</b>
Changes in inventories		- 2,780	6,622
Changes in accounts receivable		5,507	815
Changes in accounts payable		- 1,725	4,768
Changes in other current assets		4,150	- 3,998
Changes in current provisions and other current liabilities		- 5,780	- 8,935
<b>Cash generated from operating activities</b>		<b>- 8,715</b>	<b>- 12,133</b>
Income tax paid	16	- 1,738	- 2,226
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>- 10,453</b>	<b>- 14,359</b>
<b>Investing activities</b>			
Capital expenditures for property, plant and equipment and intangible assets	18/20/21	- 27,674	- 29,499
Cash inflow (+) / cash outflow (-) from disposal	2	-	36,000
Proceeds from the disposal of non-current assets		6,274	3,480
Proceeds from the disposal of financial assets		28	1,080
Cash advances made to other parties		- 236	-
Interest received	14	404	475
Cash inflow from non-current loans		71	102
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>- 21,133</b>	<b>11,638</b>
<b>Financing activities</b>			
Cash inflow due to additions of financial liabilities		149,217	303
Cash outflow due to repayment of financial liabilities		- 151,944	- 484
Purchase of treasury shares		- 366	- 495
Sale of treasury shares		361	496
Interest paid		- 7,074	- 7,493
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>- 9,806</b>	<b>- 7,673</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>- 41,392</b>	<b>- 10,394</b>
Cash and cash equivalents at 1 January		70,348	82,423
Effects of changes in foreign exchange rates		56	- 1,681
Change in cash and cash equivalents		- 41,392	- 10,394
<b>Cash and cash equivalents at 31 December</b>		<b>29,012</b>	<b>70,348</b>



## Consolidated statement of changes in equity for the financial year 2016

In the reporting year 2016, consolidated equity changed as follows:

in CHF 1,000	Share capital	Capital reserves	Treasury shares	Currency translation adjustments	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>	<b>18,479</b>	<b>404,015</b>	<b>-48,619</b>	<b>-90,725</b>	<b>-210,557</b>	<b>72,593</b>	<b>-595</b>	<b>71,998</b>
Net income for the period	-	-	-	-	-30,194	-30,194	-96	-30,290
Other comprehensive income for the period	-	-	-	1,406	-1,113	293	3	296
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,406</b>	<b>-31,307</b>	<b>-29,901</b>	<b>-93</b>	<b>-29,994</b>
Issue of convertible bond	-	22,207	-	-	-	22,207	-	22,207
Tax effect on issue of convertible bond	-	-1,935	-	-	-	-1,935	-	-1,935
Conversion of convertible bond	1,666	34,454	-	-	-	36,120	-	36,120
Tax effect on conversion of convertible bond	-	496	-	-	-	496	-	496
Purchase/sale of treasury shares	-	-	3,228	-	-3,233	-5	-	-5
<b>Total transactions with owners</b>	<b>1,666</b>	<b>55,222</b>	<b>3,228</b>	<b>-</b>	<b>-3,233</b>	<b>56,883</b>	<b>-</b>	<b>56,883</b>
<b>Balance at 31 December 2016</b>	<b>20,145</b>	<b>459,237</b>	<b>-45,391</b>	<b>-89,319</b>	<b>-245,097</b>	<b>99,575</b>	<b>-688</b>	<b>98,887</b>
<b>Total Group reserves at the end of December 2016</b>						<b>79,430</b>		

In the reporting year 2015, consolidated equity changed as follows:

in CHF 1,000	Share capital	Capital reserves	Treasury shares	Currency translation adjustments	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>	<b>18,479</b>	<b>404,015</b>	<b>-51,501</b>	<b>-82,415</b>	<b>-163,477</b>	<b>125,101</b>	<b>-424</b>	<b>124,677</b>
Net income for the period	-	-	-	-	-34,697	-34,697	-178	-34,875
Other comprehensive income for the period	-	-	-	-8,310	-9,502	-17,812	7	-17,805
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-8,310</b>	<b>-44,199</b>	<b>-52,509</b>	<b>-171</b>	<b>-52,680</b>
Purchase/sale of treasury shares	-	-	2,882	-	-2,881	1	-	1
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>2,882</b>	<b>-</b>	<b>-2,881</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Balance at 31 December 2015</b>	<b>18,479</b>	<b>404,015</b>	<b>-48,619</b>	<b>-90,725</b>	<b>-210,557</b>	<b>72,593</b>	<b>-595</b>	<b>71,998</b>
<b>Total Group reserves at the end of December 2015</b>						<b>54,114</b>		

# Notes to the consolidated financial statements as of 31 December 2016

## 1. Significant accounting policies

### General information

Von Roll Holding AG (the company) with its subsidiaries (together Von Roll) is an international manufacturing and service company. Its main activities are presented in the Notes on the business segments (Note 5). The company is a publicly traded company listed on the Swiss stock exchange (SIX Swiss Exchange). Its registered office is at Passwangstrasse 20, 4226 Breitenbach, Switzerland.

### Summary of significant accounting policies

The consolidated financial statements of Von Roll Holding AG are prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in compliance with the listing regulations of SIX and Swiss Law.

The consolidated financial statements are presented in Swiss francs (CHF), as the main Von Roll companies operate or are financed out of Switzerland. The financial statements refer to thousands of CHF (TCHF). Due to the chosen presentation method, immaterial rounding differences can occur. The use of the year in connection with the presentation of statement of financial position relates in principle to 31 December of the year in question unless specified otherwise.

The consolidated financial statements have been prepared under the historical cost convention. Only certain financial instruments are valued at their fair value.

### Adoption of new accounting policies

The following new standard and the following amendments to the IASB's standards were adopted for the first time for the financial year starting on 1 January 2016; however, they had no impact on the result or the financial position of the Von Roll Group. Only the amendments to IAS 1 "Disclosure Initiative" have an immaterial impact on the disclosures and the presentation of the consolidated financial statements.

New standard		Effective for annual periods beginning on or after	Adoption by Von Roll
IFRS 14	Regulatory Deferral Accounts	1 Jan. 2016	Financial year 2016

<b>Amendments to standards</b>		Effective for annual periods beginning on or after	Adoption by Von Roll
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan. 2016	Financial year 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan. 2016	Financial year 2016
IAS 16 and IAS 41	Bearer Plants	1 Jan. 2016	Financial year 2016
IAS 27	Equity Method in Separate Financial Statements	1 Jan. 2016	Financial year 2016
Misc.	Annual Improvements to IFRSs 2012-2014 Cycle	1 Jan. 2016	Financial year 2016
IAS 1	Disclosure Initiative	1 Jan. 2016	Financial year 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 Jan. 2016	Financial year 2016

The following new and revised standards and interpretations are issued by the IASB. These standards were not effective for the reporting period and were not adopted early on in the present consolidated financial statements. The following table shows the impact estimated by the Executive Management:

<b>New standards and interpretations</b>		Effective for annual periods beginning on or after	Planned adoption by Von Roll	
IFRS 15	Revenue from Contracts with Customers and related Clarifications to IFRS 15 Revenue from Contracts with Customers	1 Jan. 2018	Financial year 2018	**
IFRS 9	Financial Instruments	1 Jan. 2018	Financial year 2018	**
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 Jan. 2018	Financial year 2018	**
IFRS 16	Leases	1 Jan. 2019	Financial year 2019	**

<b>Amendments to standards</b>		Effective for annual periods beginning on or after	Planned adoption by Von Roll	
IFRS 12	Annual Improvements to IFRSs 2014-2016 Cycle: Disclosure of Interests in Other Entities	1 Jan. 2017	Financial year 2017	*
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 Jan. 2018	Financial year 2018	*
IAS 28	Investments in Associates and Joint Ventures	1 Jan. 2018	Financial year 2018	*
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan. 2017	Financial year 2017	*
IAS 7	Disclosure Initiative	1 Jan. 2017	Financial year 2017	***
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 Jan 2018	Financial year 2018	*
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 Jan 2018	Financial year 2018	*
IAS 40	Transfer to and from Investment Property	1 Jan 2018	Financial year 2018	*
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Undetermined	Undetermined	*

\* No effects or no material effects are expected on the consolidated financial statements of Von Roll.

\*\* The effects on the consolidated financial statements of Von Roll can not yet be reliably determined.

\*\*\* In particular, additional disclosures or changes in the presentation of the financial statements of Von Roll are expected.

### Scope of consolidation

The consolidated financial statements comprise the financial statements of the parent company and of the companies it controls (its subsidiaries). An entity is deemed to be in control if it holds a majority equity investment and the majority of the voting rights or exercises control in another way. These companies are fully consolidated. A list of the significant consolidated companies is provided in Note 23 of this Annual Report.

Investments in which a stake of up to 20% is held are valued at fair value.

### Principles of consolidation

The financial statements of consolidated companies have been prepared as of the date of the consolidated financial statements, under the historical cost convention as modified by the revaluation of financial assets at fair value through profit and loss, and applying uniform valuation and presentation principles.

### Non-controlling interests

Non-controlling interests are reported in the consolidated financial statements as part of the Group's equity and not as a separate category. They are not deducted when calculating consolidated net income.

### Foreign currency translation

Transactions in a currency different from the functional currency of the Group company involved (foreign currency) are recorded at the exchange rate prevailing on the day of the transactions. Monetary items in foreign currency are translated on the reporting date at the closing rate. Exchange differences arising from monetary items are recorded in the income statement and shown in the net financial result insofar as they are not to be regarded as part of a net investment in a foreign operation.

When foreign operations are translated into the presentation currency, the Group companies' income, expense and cash flows are translated into Swiss francs (CHF) using the weighted average exchange rates. Assets and liabilities are translated using the year-end exchange rates. Differences from variations in exchange rates compared to the previous year arising from the translation of equity in subsidiaries and non-current intercompany loans (only loans of an equity nature) and differences resulting from the translation of net income are allocated to other comprehensive income. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

### Revenue recognition

Revenue is only recognised when it has been ensured that the company is receiving the economic benefits associated with the transaction and that these can be measured reliably. Revenue is measured at the fair value of the consideration received after sales tax and rebates. The products sold or the services rendered are recorded as soon as the goods or services have been delivered and the benefits and risks have been transferred. Accruals for rebates and discounts are recognised in the same period as the related revenues in accordance with the relevant terms and conditions of sale.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Certain Group activities relate to the production of customer-specific constructions and products. These long-term construction contracts are therefore recognised on a percentage basis using the percentage of completion method. The stage of completion is measured on the basis of the work done by the reporting date.

### Cash and cash equivalents

Cash and cash equivalents and short-term cash investments comprise cash on hand and deposits with banks, including sight deposits, as well as short-term financial instruments with a residual term of less than 90 days at the time of acquisition.

### Trade accounts receivable

The reported values represent the invoiced amounts. Valuation allowances for non-performing loans are determined periodically.

### Other accounts receivable and prepaid expenses

Other accounts receivable comprise receivables from social security institutions, for indirect taxes and other non-operating receivables from third parties due within one year. They also include prepaid expenses.



### Construction contracts

Where the outcome of a construction contract can be reliably estimated, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be reliably estimated, the amount of contract revenue which can be recognised is restricted to the contract costs likely to be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Amounts due from customers under construction contracts comprise contracts where the costs incurred plus recognised profits exceed payments already received. If the payments received are higher than the costs incurred plus recognised profits, they are shown under amounts due to customers under construction contracts.

Prepayments received are accounted for without any impact on profit and loss. If there is no entitlement to a refund, they are netted off with the corresponding construction contracts for which the prepayments have been made. Prepayments for which the customer is entitled to a refund are shown as a liability.

### Inventories

Purchased products are valued at acquisition cost, while internally manufactured products are valued at cost of conversion including the corresponding production-related overheads. The valuation of inventories in the balance sheet, or the records of the cost in the income statement, is done at standard cost, which is adjusted for capacity and cost deviations from the effective weighted average costs of the reporting period. Valuation allowances are recognised for goods with a lower net realisable value or which are slow-moving, providing there are no confirmed sales orders with fixed higher net sales prices. Unsaleable goods are fully written off.

### Property, plant and equipment

Property, plant and equipment are valued under the historical cost convention reduced by any valuation allowances and are depreciated on a straight-line basis in the income statement in keeping with the following guidelines concerning estimated useful lives:

Permanent buildings	25 years
Temporary buildings	10 – 20 years
Technical installations and machinery	10 – 20 years
Plant and office equipment	5 – 10 years
Computer equipment	3 – 10 years
Vehicles	3 – 8 years

Land is not depreciated.

Subsequent costs are only included in the carrying amount of the asset when it is probable that future economic benefits associated with the item will be usable by Von Roll and that the cost of the item can be measured reliably. All other maintenance and repair costs are charged to the income statement during the period in which they are incurred.

### Investment property

Investment property principally comprises undeveloped land as well as separable rented offices and production buildings and is held to generate long-term rental yields. These properties are not used by Von Roll.

Investment property excluding land is valued at historical cost less depreciation on a straight-line basis over an expected useful life of 25 years.

Current market values are periodically determined by independent experts and disclosed additionally in the Notes.

### Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired company, and the fair value of the acquirer's previously held equity interest in the acquired company (if applicable) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognised as an intangible asset and has an indeterminable useful life. It is subject to an impairment test at least once a year or more frequently if there are indications that impairment may be required. Impairment losses have an immediate effect on net income. A recognised impairment loss is not reversed in a subsequent period. Goodwill is presented separately in the consolidated balance sheet. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### Intangible assets

Licences, trademarks and similar rights as well as other intangible assets have a determinable useful life, which is estimated in each case, and are carried at historical cost less amortisation. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful lives, ranging between five and twelve years.

Reliably measurable costs for licences, trademarks and similar rights as well as for product development are capitalised only if these assets are identifiable and it is probable that the expected future economic benefits attributable to each intangible asset will flow to Von Roll.

### Financial assets

Financial assets comprise investments in securities as well as non-current loans to associated companies and third parties.

Securities are in principle valued at fair value through profit and loss. If the fair value cannot be determined reliably, a valuation is made at amortised cost. Loans are categorised as credits and accounts receivable and valued at amortised cost less any impairment. Derivatives are categorised as financial assets valued at fair value through profit and loss.

Each category of financial assets is accounted for as of the trade date.

### Impairment of tangible and intangible assets excluding goodwill

Tangible and intangible assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised with an impact on income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on future expected discounted cash flows. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). If the reason for an impairment that was previously recognised no longer applies, it is revalued.

### Share capital

Bearer shares are classified as share capital. Issuing proceeds from 1 January 1997 which exceed the nominal value (premium) have been reported in the capital reserves item under Group reserves since 31 December 2011.

### Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the effective interest method.

### Provisions

Provisions for environmental restoration, contingencies and commitments, announced restructurings and legal claims are only recognised if Von Roll has an existing legal or constructive obligation resulting from past events, if it is more likely than not that an outflow of resources will be required to settle the obligation, or if the amount can be reliably estimated. Restructuring provisions comprise employee severance payments, lease termination penalties and other costs. Provisions are not made for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

### Other current liabilities and accruals

Other current liabilities comprise payables to social security institutions and other non-operating payables to third parties due within one year. Furthermore, this item includes deferred income from customers and accrued expenses to suppliers.

### Post-employment benefits, pension assets and liabilities

#### (a) Pension obligations

Von Roll companies operate various pension schemes, some of which are managed by external parties. Von Roll has both defined benefit and defined contribution plans. The defined benefit obligation is calculated annually by independent, qualified actuaries.

For defined benefit plans, the cost of providing benefits is calculated on the basis of various economic and demographic assumptions using the projected unit credit method. This method takes into account years of service up to the reporting period. The calculation assumptions to be made by the Group include demographic parameters (such as staff turnover and mortality) as well as economic parameters (such as future salary trends) that will affect the final cost of the benefits.

The cost of defined benefit plans is made up of three components:

- » service cost recognised in profit and loss
- » net interest expense or income recognised in profit and loss
- » remeasurement recognised in other comprehensive income

Service cost includes current service cost, past service cost and gains or losses on settlements. Past service cost is recognised in the period in which the plan amendment occurs. Curtailment gains and losses are accounted for as past service cost. Contributions from plan participants or a third party reduce the service cost and are therefore deducted if they are based on the formal terms of the plan or arise from a constructive obligation.

Net interest cost is equal to the discount rate multiplied by the net defined benefit liability or asset. Cash flows and changes during the year are taken into account on a weighted basis.

Remeasurements of the net defined benefit liability or asset include actuarial gains and losses on the defined benefit obligation resulting from changes in assumptions and experiences, the return on plan assets, excluding the interest income on the plan assets that is included in the net interest, and changes in the effect of the asset ceiling (if applicable), excluding amounts included in the net interest. Remeasurements recorded in other comprehensive income are not recycled. However, the entity may transfer those amounts recognised in other comprehensive income within equity.

Von Roll shows the first component of defined benefit costs in personnel expenses and the second component of defined benefit costs in financial expenses in its consolidated income statement. Remeasurements are recognised in “other comprehensive income” (OCI). The pension obligations or assets recognised in the consolidated statement of financial position represent the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognised when the entity can no longer withdraw the offer of the termination benefit or when the entity recognises any related restructuring costs, depending on which comes first.

The plans in Switzerland are jointly financed by the employer and the employees. The contributions are fixed in the plan regulations. For these plans, the Group applies the concept of risk sharing to the employer and employee, which reduces the net liability reported in the company’s statement of financial position.

For defined contribution plans, Von Roll pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Von Roll has no further payment obligations once the contributions have been paid.

Payments to defined contribution plans are reported in personnel expenses when employees have rendered service entitling them to the contributions.

#### **(b) Other long-term employee benefits and post-employment obligations**

Some Von Roll companies provide other long-term employee benefits or post-employment benefits. The entitlement to these benefits is usually dependent on years of service. The expected costs of these benefits are recognised in the income statement in the period in which they arise and are also calculated for the main plans using the projected unit credit method in the same way as defined benefit plans. These obligations are valued annually by independent, qualified actuaries.

### **(c) Other employee and social security benefits, accruals for staff-related costs**

Other employee and social security benefits mainly comprise payments to governmental and other institutions for social security, payroll taxes, health insurances and similar. Accruals for staff-related costs comprise accruals for contractual bonuses, unclaimed annual leave entitlement, flexitime balances and similar. Von Roll recognises accruals where contractually obliged or if there is a past practice that has created a constructive obligation.

### **Income tax**

Income taxes include all taxes based upon the taxable profit of Von Roll. Other taxes not based on income, such as property and capital taxes, are included in the relevant position in the income statement.

Deferred income tax is provided in full, using the comprehensive liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. An exception to this rule is that no deferred income tax can be determined for temporary differences in conjunction with investments in subsidiaries insofar as the shareholder (parent company) is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets for temporary differences and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and realisable temporary differences can be expected.

Deferred income tax on temporary differences arising on investments in subsidiaries and associated companies is provided, except where Von Roll is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Temporary differences arising from the first-time recognition of goodwill or from the first-time recognition of assets or liabilities in conjunction with a transaction which affects neither the taxable result nor the profit for the year are not recognised; neither are temporary differences associated with investments in subsidiaries insofar as it is likely that the temporary difference will not be reversed in the foreseeable future.

Tax assets and tax liabilities are netted if they relate to the same tax object in the same tax jurisdiction. Deferred tax assets or tax liabilities are reported as non-current assets or liabilities.

### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **Government grants**

Government grants are only recognised if there is reasonable assurance that the related conditions will be met and the grants will be made. Valuation is made at fair value. The grants are accounted for on an accrual basis, deducted from the carrying amount of the asset and recognised in profit or loss in the period in which the corresponding expenses occur.



### Segment information

Reportable business segments are determined on the basis of the management approach. External segment reporting is then carried out on the basis of the internal financial reporting to the chief operating decision maker. At Von Roll, this position is held by the Board of Directors of Von Roll Holding AG.

The primary segmentation is by business segment, and the secondary is by geographical segment. A business segment is a group of assets and operations engaged in providing the same or similar products or services that are subject to risks and returns which are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

Intra-segment transfers and transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties (at arm's length).

### Financial risk factors

Von Roll's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. Von Roll's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Von Roll's financial performance. Von Roll uses derivative financial instruments to hedge certain risk exposures, where appropriate.

Financial risk management is carried out according to the principles and guidelines issued by the Board of Directors and the Executive Management. Risk management is monitored by Corporate Finance and continually reconciled with each operational entity. It covers identified financial risk factors as described in the previous paragraph.

#### (a) Market risk

##### Foreign exchange risk

Von Roll operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, the US dollar, the Chinese renminbi and the Indian rupee, and other currencies to a lesser extent. Foreign exchange risk arises from sales carried out in foreign currencies and similar transactions as well as from recognised assets and liabilities and investments carried out in foreign currencies.

To manage its foreign exchange risk, Von Roll uses, wherever necessary, forward contracts from which a profit of CHF 0.2 million was made in the reporting period (2015: a profit of CHF 1.4 million). Foreign exchange risk arises when commercial transactions of an operation are not denominated in the functional currency of the operation concerned but in another currency. There are significant (net) currency risks with respect to the euro of CHF 21.3 million (2015: CHF 25.4 million), the US dollar of CHF 10.4 million (2015: CHF 15.9 million), the Chinese renminbi of CHF 6.8 million (2015: CHF 10.9 million) and the Indian rupee of CHF 8.4 million (2015: CHF 4.9 million). Taken together all other currencies account for a foreign exchange risk of CHF 3.2 million (2015: CHF 4.9 million). A change in all foreign currency exchange rates of 5% would impact the result before tax of the Von Roll Group by around CHF 2.5 million due to changes in cash and cash equivalents, trade accounts receivable, financial liabilities and trade accounts payable. A change in all foreign currency exchange rates of 5% would have an impact of approximately CHF 5.3 million on equity.

Von Roll has investments in foreign operations whose net assets are exposed to foreign currency transaction risk. The risks of foreign currency translation differences associated with subsidiaries are not hedged.

### Price risk

Von Roll is exposed to price risks relating to raw materials, particularly copper. To minimise this risk, the determination of sales prices is based on prevailing copper prices at the time of the transaction. Copper in stock for which there are no customer orders is also hedged in significant cases by means of derivatives. These are exclusively fair value hedges. No derivatives to hedge copper were entered into in the previous year or the reporting period. There were no open positions as at 31 December 2015 or at 31 December 2016.

### Interest rate risk

Von Roll is exposed to interest rate risk on cash and cash equivalents and financial liabilities.

### (b) Credit risk

Von Roll has no significant concentrations of credit risk. Management establishes policies to ensure that sales of products are made to customers with an appropriate credit rating. Management defines credit limits for each customer, which are continually monitored and adjusted. Additionally, the outstanding balances of certain customers are covered by credit insurance facilities. The nominal value of accounts receivable less valuation allowances is seen as an approximation of their fair value. Von Roll takes account of the risk of default by a counterparty by only investing with financial institutions whose credit rating is outstanding.

### (c) Liquidity risk

Liquidity risk is limited by maintaining sufficient cash and cash equivalents, investments with a maturity of 90 days or less and the availability of funding through an adequate number of credit facilities.

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables have been drawn up on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables contains interest rates and principal repayments.

The due dates are as follows as of 31 December 2016:

in CHF 1,000	Effective interest rate	Within 1 year	1 to 5 years	More than 5 years	Total
Convertible bond 2014 – 2020	4.0 %	263	21,788	–	22,051
Convertible bond 2016 – 2022	3.9 %	1,500	6,000	151,500	159,000
Trade accounts payable	–	24,912	–	–	24,912
Current financial liabilities	4.0 %	1,227	–	–	1,227
<b>Total liabilities without derivatives</b>		<b>27,902</b>	<b>27,788</b>	<b>151,500</b>	<b>207,190</b>
<b>Total derivatives</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>		<b>27,902</b>	<b>27,788</b>	<b>151,500</b>	<b>207,190</b>

The due dates as of 31 December 2015 had the following structure:

in CHF 1,000	Effective interest rate	Within 1 year	1 to 5 years	More than 5 years	Total
Bond 2012 – 2016	4.2 %	156,030	-	-	156,030
Convertible bond 2014 – 2020	4.0 %	763	64,050	-	64,813
Trade accounts payable	-	26,273	-	-	26,273
Current financial liabilities	9.9 %	1,422	-	-	1,422
<b>Total liabilities without derivatives</b>		<b>184,488</b>	<b>64,050</b>	-	<b>248,538</b>
<b>Total derivatives</b>		<b>162</b>	-	-	<b>162</b>
<b>Total financial liabilities</b>		<b>184,650</b>	<b>64,050</b>	-	<b>248,700</b>

#### (d) Cash flow and fair value interest rate risk

The only significant interest-bearing assets of the Von Roll Group are its cash and cash equivalents, which are subject to interest rate risk. An increase of 1% in the interest rate would increase interest income by around CHF 0.3 million (2015: CHF 0.7 million), while a 1% decrease would similarly reduce interest income by around CHF 0.3 million (2015: CHF 0.7 million).

The financial liabilities of the Von Roll Group relate predominantly to two convertible bonds. Fixed-interest financial liabilities with an interest rate fixed for a specific period of time harbour the risk of fluctuations in the values reported in the balance sheet. Further details on the interest rates on financial liabilities are provided in Note 31 “Financial liabilities”.

#### Capital risk management

Von Roll manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns through the long-term optimisation of the debt and equity balance. The equity ratio rose from 17.5% as at the end of 2015 to 26.6% as at 31 December 2016. At the end of 2016, the Von Roll Group had net debt of CHF 121.0 million (2015: CHF 136.7 million). Von Roll Holding AG has a credit facility that includes financial covenants in relation to the level of own funds in absolute terms, the degree of internal financing and minimum liquidity. All key financial ratios mentioned were complied with as at 31 December 2016.

#### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date on which a derivatives contract is entered into (trade date) and are subsequently revalued at their fair value through profit and loss. In designated hedging relationships, derivatives can be used as (1) hedges of fair value of recognised assets, liabilities or a firm commitment (fair value hedges); (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of investments in foreign subsidiaries. Currently all changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. Changes in the fair value of hedging transactions that qualify for fair value hedge accounting are reported in the same item of the income statement as the corresponding change in fair value of the underlying transaction. Results from ineffective hedging transactions are reported in the financial result.

### Use of assumptions and estimates

Von Roll's principal accounting policies are set out in this section of the consolidated financial statements and are based on the International Financial Reporting Standards (IFRS). Significant judgements and estimates are used in the preparation of the consolidated financial statements, which, to the extent that actual outcomes and results may differ from these assumptions and estimates, could affect the accounting in the areas described. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. Subsequent outcomes may deviate from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised. The key assumptions are described below and also outlined in the respective Notes:

### Revenue recognition

Revenue is only recognised when the management judges that the significant risks and rewards of ownership have been transferred to the customer. The management believes that the total accruals and provisions for these items are adequate, based on currently available information.

### Property, plant and equipment and intangible assets, including goodwill

Property, plant and equipment and intangible assets, including goodwill, are reviewed annually for impairment. To assess if any impairment exists, estimates are made of future cash flows expected to result from use of the asset and its possible disposal.

### Income tax

Significant estimates are required in determining current and deferred assets and liabilities for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The management believes that the estimates are reasonable and that the recognised assets and liabilities for income tax-related uncertainties are adequately recognised. This applies in particular for the capitalisation of tax loss carry-forwards, which is based on expected future gains.

### Pensions and other post-employment benefits

At a number of different Von Roll sites, the employees participate in post-employment defined benefit and contribution plans. The calculations of the recognised assets and liabilities for defined benefit plans are based upon statistical and actuarial calculations. Where the calculations differ from the actuarial assumptions and are approved by the management, these can impact the assets or liabilities recognised in the balance sheet in future periods.

### Legal provisions

Several Von Roll companies are party to various legal proceedings. Based on current knowledge, the management has made assumptions of the possible impact of these open legal claims and made corresponding provisions.

### Environmental provisions

Management believes that total provisions for environmental matters are adequate based upon the information currently available.

## 2. Changes in accounting policies

The Von Roll Group previously reported sales-related transport costs under sales and distribution expense. From both a costing and an internal perspective, however, transport costs come under product costs and are thus included in the gross profit. As part of efforts to harmonise internal and external reporting, this allocation is accordingly also to be reflected in the Annual Report.

The disclosure has thus been amended and the sales-related transport costs included in sales and distribution expense have been reallocated to the cost of goods sold. This reduced gross profit by TCHF 7,280 (2015: TCHF 6,966). The sales and distribution expenses increased by an equivalent amount. The appropriate restatements were made to the corresponding period of the previous year.

## 3. Foreign currencies

The following exchange rates were used for the translation into Swiss francs (CHF):

Currency	Average rates		Period end rates	
	2016	2015	31.12.2016	31.12.2015
EUR	1.092	1.074	1.071	1.085
USD	0.989	0.962	1.030	0.990
GBP	1.350	1.477	1.259	1.466
INR	0.015	0.015	0.015	0.015
BRL	0.282	0.300	0.315	0.257
CNY	0.149	0.153	0.148	0.153

## 4. Net sales

In the reporting year, net sales developed as follows compared with the previous year:

in CHF 1,000	2016	in %	2015	in %
Due to volume and prices	-27,684	-7.8 %	-49,285	-11.8 %
Thereof copper	-8,717	-2.5 %	-13,874	-3.3 %
Due to currency changes	988	0.3 %	-14,753	-3.5 %
<b>Total</b>	<b>-26,696</b>	<b>-7.5 %</b>	<b>-64,038</b>	<b>-15.3 %</b>



## 5. Segment information

A breakdown by business segment in the financial year 2016 is shown below:

in CHF 1,000	Von Roll	Von Roll Insulation	Von Roll Composites	Other activities
Total net sales	341,316	228,920	103,432	8,964
Thereof sales with other segments	- 13,206	- 8,005	- 5,201	-
<b>Net sales</b>	<b>328,110</b>	<b>220,915</b>	<b>98,231</b>	<b>8,964</b>
Operating expenses	- 324,745	- 208,036	- 103,552	- 13,157
<b>EBITDA</b>	<b>3,365</b>	<b>12,879</b>	<b>- 5,321</b>	<b>- 4,193</b>
Depreciation and impairment of property, plant and equipment	- 17,445	- 8,916	- 6,597	- 1,932
Amortisation and impairment of intangible assets	- 5,983	- 1,670	- 52	- 4,261
<b>Segment result (EBIT)</b>	<b>- 20,063</b>	<b>2,293</b>	<b>- 11,970</b>	<b>- 10,386</b>
Financial result	- 11,682			
Income tax	1,455			
<b>Net income for the period</b>	<b>- 30,290</b>			
Capital expenditures	27,674	23,386	2,277	2,011
Impairments	6,336	1,188	3,154	1,994
Number of employees (FTE)	1,703	994	661	48

A breakdown by business segment in the financial year 2015 is shown below:

in CHF 1,000	Von Roll	Von Roll Insulation	Von Roll Composites	Other activities
Total net sales	371,236	243,656	119,048	8,532
Thereof sales with other segments	- 16,430	- 9,388	- 7,042	-
<b>Net sales</b>	<b>354,806</b>	<b>234,268</b>	<b>112,006</b>	<b>8,532</b>
Operating expenses	- 360,857	- 235,409	- 113,574	- 11,874
<b>EBITDA</b>	<b>- 6,051</b>	<b>- 1,141</b>	<b>- 1,568</b>	<b>- 3,342</b>
Depreciation and impairment of property, plant and equipment	- 13,728	- 8,595	- 3,368	- 1,765
Amortisation and impairment of intangible assets	- 3,256	- 1,126	- 34	- 2,096
<b>Segment result (EBIT)</b>	<b>- 23,035</b>	<b>- 10,862</b>	<b>- 4,970</b>	<b>- 7,203</b>
Financial result	- 12,380			
Income tax	540			
<b>Net income for the period</b>	<b>- 34,875</b>			
Capital expenditures	29,499	24,337	2,771	2,391
Impairments	719	650	18	51
Number of employees (FTE)	2,002	1,156	789	57

Segments to be reported are determined on the basis of the management approach. External segment reporting is then carried out on the basis of the organisational and management structure within the Group as well as internal financial reporting to the chief operating decision maker. At Von Roll, this position is held by the Board of Directors of Von Roll Holding AG.

### Segment information

As of 2014, the main operating activities of Von Roll are divided into the Von Roll Insulation and Von Roll Composites business segments. They form the basis for segment reporting. Von Roll's business segments encompass all activities in line with its production processes.

Principal activities break down as follows:

- » Von Roll Insulation – production and supply of electrical insulation materials, winding wires, resins and varnishes
- » Von Roll Composites – production and supply of composite materials

For further information on the business segments, please refer to the image section of this Annual Report.

Other activities include income and expense of holding companies, and companies that cannot be categorised as part of the principal activities as well as net income from investment properties and the activities involving the design and construction of water and wastewater treatment plants.

### Geographical information by location of customer

The table below shows a breakdown of Group net sales by geographical market, irrespective of the origin of the goods and services:

in CHF 1,000	2016	in %	2015	in %	Variation
EMEA	171,885	52.4 %	187,199	52.8 %	- 8.2 %
America	80,639	24.6 %	82,776	23.3 %	- 2.6 %
Asia	75,586	23.0 %	84,831	23.9 %	- 10.9 %
<b>Von Roll</b>	<b>328,110</b>	<b>100.0 %</b>	<b>354,806</b>	<b>100.0 %</b>	<b>- 7.5 %</b>

Information on gross sales generated with external clients in Switzerland is not available and the costs of compiling it would be excessively high.

### Information on major clients

The Group believes that there is no significant dependency on one client either within a segment or across segments. Von Roll does not generate more than 10 % of Group sales with any one client.

### Geographical information by location of assets

The following table shows a geographical breakdown by location of assets:

in CHF 1,000	Von Roll		EMEA		America		Asia	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales to third parties	328,110	354,806	182,012	198,784	75,495	79,491	70,603	76,531
Capital expenditures	27,674	29,499	14,431	18,740	11,987	6,862	1,256	3,897
Number of employees (FTE)	1,703	2,002	844	1,002	326	359	533	641

### Allocation of goodwill

The goodwill allocated to the Von Roll Insulation segment amounts to TCHF 11,130 (2015: TCHF 10,777) and that of the Composites segment TCHF 0 (2015: TCHF 0). Goodwill totalling TCHF 0 (2015: TCHF 1,997) is allocated to the Other activities segment.

The method applied for the impairment test is described in Note 19 relating to goodwill, Note 20 relating to intangible assets and Note 18 relating to property, plant and equipment.

## 6. Expense by type and function

in CHF 1,000	2016	2015 (restated)
<b>Expense by type</b>		
Raw materials and consumables	-163,813	-182,805
Energy cost	-11,097	-12,866
Employee benefit expense (Note 7)	-105,355	-120,458
Depreciation and impairments (Note 9)	-20,747	-16,294
Other expense	-50,049	-47,508
<b>Total</b>	<b>-351,061</b>	<b>-379,931</b>
<b>Expense by function</b>		
Cost of goods sold	-272,673	-306,377
Research and development expense	-7,335	-8,372
Sales and distribution expense	-21,592	-22,868
Administrative expense	-41,946	-38,189
Restructuring expense included in the other operating expense (Note 13)	-7,515	-4,125
<b>Total</b>	<b>-351,061</b>	<b>-379,931</b>

## 7. Personnel expenses

in CHF 1,000	2016	2015
Wages and salaries	-83,074	-92,219
Post-employment benefit	2,940	-2,966
Other social security costs	-18,058	-19,455
Other personnel costs	-7,163	-5,818
<b>Total</b>	<b>-105,355</b>	<b>-120,458</b>

In the consolidated income statement, personnel expenses are included in the corresponding functional costs.

## 8. Number of employees

Number at 31 December	2016	2015
Production	1,283	1,507
Business development	177	205
Sales and distribution	64	80
Administration	179	210
<b>FTE at year end</b>	<b>1,703</b>	<b>2,002</b>
Average number of employees	1,854	2,141

## 9. Depreciation, amortisation and impairments

in CHF 1,000	2016	2015
Land and buildings (Notes 6 and 18)	-2,840	-1,962
Technical installations and machinery (Notes 6 and 18)	-9,159	-8,854
Plant and office equipment (Notes 6 and 18)	-1,546	-1,503
Investment property (Notes 12 and 21)	-703	-690
<b>Total regular depreciation on PPE and investment property</b>	<b>-14,248</b>	<b>-13,009</b>
Intangible assets (Notes 6 and 20)	-2,844	-3,256
<b>Total regular amortisation on intangible assets</b>	<b>-2,844</b>	<b>-3,256</b>
Impairments on PPE (Notes 6 and 18)	-3,197	-719
Impairments on intangible assets (Notes 6 and 20)	-1,159	-
Impairments on goodwill (Note 19)	-1,980	-
<b>Total impairments</b>	<b>-6,336</b>	<b>-719</b>
<b>Total depreciation, amortisation and impairments</b>	<b>-23,428</b>	<b>-16,984</b>

## 10. Other operating income

in CHF 1,000	2016	2015
Rental income	51	355
Royalty income	36	-
Income from other services	613	447
Income from insurance reimbursements	2	86
Profit from sale of non-current assets	2,420	864
Other operating income	291	237
<b>Total</b>	<b>3,413</b>	<b>1,989</b>

The profit from the sale of non-current assets in the reporting year primarily comprises the sale of land, buildings, machinery and equipment in India, which generated TCHF 1,837, and of land, buildings, machinery and equipment in China, which generated TCHF 554.

## 11. Other operating expense

in CHF 1,000	2016	2015
Restructuring costs (Note 13)	-7,515	-4,125
Impairment on goodwill (Note 19)	-1,980	-
Rental expense for sublet areas	-282	-845
Expenses for withholding taxes	-13	-
Legal expense	-108	-
Other operating expense	-358	-103
<b>Total</b>	<b>-10,256</b>	<b>-5,073</b>

## 12. Result from investment properties

in CHF 1,000	2016	2015
Income from investment property	3,079	2,919
Expense for investment property	-1,492	-1,275
Depreciation on investment property (Notes 9 and 21)	-703	-690
Result from the sale of investment property	1,332	95
<b>Total</b>	<b>2,216</b>	<b>1,049</b>

A profit of TCHF 1,332 was made on the sale of the Mühlacker property in Gerlafingen in the financial year 2016.

## 13. Restructuring costs

The activities of Von Roll Holding AG are focused on its core business of electrical insulation and attractive markets of the future. It has modernised its factories worldwide over the past few years. Von Roll is continuing to follow this path rigorously. In addition to investments of CHF 27.7 million during the 2016 financial year, the company announced extensive measures to reduce its underlying fixed costs and increase its overall efficiency on 5 July 2016.

The measures essentially include

- » Optimise its product portfolio,
- » Improve production processes,
- » Consolidate further production units,
- » Reduce administrative functional areas,
- » Simplify its global management structure.

At the same time, a plan to reduce headcount by a further 160 jobs was announced, including around 50 full-time positions in Switzerland.

### Transfer of composites production from Breitenbach, Switzerland, to Augsburg, Germany

Von Roll operates three machining workshops for composites and moulded parts that are located very close to one another – in Breitenbach (Switzerland), Delle (France) and Augsburg (Germany).

Although some of the activities carried out there are of a local nature, no economies of scale can be generated with three plants so close together. Furthermore, the Swiss National Bank's decision to scrap the Swiss franc's exchange rate floor has considerably increased pressure on margins at the Breitenbach site. It is not possible to streamline structures any further due to their complexity.

Von Roll has therefore decided to leverage synergy effects and to transfer its Composites segment from Breitenbach to the Augsburg plant in line with its strategy of creating centres of excellence.

The corresponding restructuring expenses total CHF 1.8 million and primarily relate to personnel measures, demolition work and waste disposal.

#### **Closure of the New Haven site in the USA**

The next step in the Group's optimisation activities in North America is to transfer the production of flexible materials, flexible laminates and prepregs from the New Haven site to the centre of excellence in Schenectady (USA). The New Haven plant will therefore be closed in the second half of 2017 and its business activities will continue at the principal plant in Schenectady.

This step is necessary if the Group is to continue to pursue its strategy of consolidating production with the aim of making the best possible use of its available capacity.

Closing the site is expected to cost CHF 1.9 million, mainly for personnel expenses, site clearance and demolition charges as well as environmental restoration and waste disposal costs.

#### **Transfer of Group functions to Breitenbach, Switzerland**

The Von Roll Group's headquarters have been in the Swiss town of Au/Wädenswil since November 2007. As part of the restructuring and the associated optimisation measures, the decision was made to leave the Au/Wädenswil site and transfer the corporate functions to Breitenbach, also in Switzerland.

Closing the site is expected to cost CHF 2.7 million, mainly for personnel expenses, site clearance charges and onerous contracts.

#### **Further measures**

CHF 1.1 million was charged to the income statement in the reporting year as a result of further measures, primarily involving downsizing the workforce and scrapping plants.

Provisions for restructuring expenses are shown in Note 32.



## 14. Financial income

in CHF 1,000	2016	2015
Interest income	405	475
Interest income from pension funds (Note 38)	91	218
Gain from financial hedging activities	182	611
Foreign exchange gains	4,133	4,845
Other financial income	71	183
<b>Total</b>	<b>4,882</b>	<b>6,332</b>

## 15. Financial expense

in CHF 1,000	2016	2015
Interest expense on bank debts	-254	-152
Interest expense on pension funds (Note 38)	-806	-731
Bank charges	-644	-581
Interest expense on bonds	-10,218	-8,430
Interest expense on loans and other financial liabilities	-523	-49
Foreign exchange losses	-3,627	-8,024
Loss from financial hedging activities	-258	-745
Other financial expense	-234	-
<b>Total</b>	<b>-16,564</b>	<b>-18,712</b>

## 16. Income tax

in CHF 1,000	2016	2015
Result before tax	-31,745	-35,415
Income taxes at Swiss statutory rate	21.0%	21.0%
<b>Expected tax income</b>	<b>6,666</b>	<b>7,437</b>
Applicable tax rates differing from Swiss statutory rate	-502	-131
Non-tax-deductible expenses	-3,454	-3,762
Non-taxable income	2,702	2,356
Variation of tax rate	46	-
Increase in unrecognised tax losses	-2,962	-3,889
Utilisation of unrecognised tax losses	97	-
Valuation allowance on deferred tax assets	-206	-1,785
Taxes relating to prior periods and other items	-932	314
<b>Effective tax income</b>	<b>1,455</b>	<b>540</b>
Tax income is as follows:		
Current tax	-2,340	285
Deferred tax	3,795	255
<b>Total tax income</b>	<b>1,455</b>	<b>540</b>
Taxes paid	1,738	2,226

The income tax rate in accordance with the Swiss tax burden corresponds to the rate of income tax paid by operational Group companies domiciled at the headquarters. In principle, the fluctuation in the line "Applicable tax rates differing from Swiss statutory rate" depends on the breakdown of the results among the various subsidiaries and tax jurisdictions.

Deferred taxes arising from timing differences between the tax base and their carrying amounts consisted of the following items:

in CHF 1,000	Assets		Liabilities	
	31.12.2016	31.12.2016	31.12.2015	31.12.2015
Current assets	7,722	242	5,544	273
Non-current assets	1,805	5,433	2,648	6,098
Current liabilities	1,672	5,707	1,595	4,598
Non-current liabilities	8,876	1,929	9,426	643
Tax loss	12,286	-	8,648	-
<b>Deferred taxes (gross)</b>	<b>32,361</b>	<b>13,311</b>	<b>27,861</b>	<b>11,612</b>
Offsetting	-7,106	-7,106	-6,708	-6,708
<b>Deferred taxes (net)</b>	<b>25,255</b>	<b>6,205</b>	<b>21,153</b>	<b>4,904</b>

As at 31 December 2016, there are no temporary differences arising from investments in Group companies.

In view of the likelihood of netting tax losses carried forward against future taxable earnings, as at 31 December 2016 deferred income tax assets on tax losses carried forward and on other temporary differences totaling TCHF 32,361 (2015: TCHF 27,861) were capitalised at a number of subsidiaries. In line with the business plans, deferred income tax assets were capitalised on tax losses carried forward in the amount of TCHF 2,921 (2015: TCHF 2,923) at subsidiaries that posted a loss in 2016.

Deferred taxes changed as follows:

in CHF 1,000	2016	2015
Balance at 1 January	16,249	14,166
Recognition and reversal of temporary differences		
- Through income statement	3,795	255
- Through other comprehensive income	452	2,645
- Through equity	-1,629	-
Currency translation	183	-817
<b>Balance at 31 December</b>	<b>19,050</b>	<b>16,249</b>

The above amounts are included in the following balance sheet items:

in CHF 1,000	31.12.2016	31.12.2015
Deferred tax assets	25,255	21,153
Deferred tax liabilities	-6,205	-4,904
<b>Net deferred tax assets</b>	<b>19,050</b>	<b>16,249</b>

Current tax is included in the balance sheet as follows:

in CHF 1,000	31.12.2016	31.12.2015
Taxes receivable	5,313	6,355
Taxes payable	-2,107	-3,056
<b>Net current taxes receivable</b>	<b>3,206</b>	<b>3,299</b>

Movements in tax losses carried forward are as follows:

in CHF 1,000	2016	2015
At 1 January	348,092	301,897
Currency translation	441	- 5,982
Adjustments of previous year's values	- 344	20
Increase in tax losses	52,553	53,285
Tax losses expired	- 1,838	-
Capitalised and provided tax losses utilised	- 519	- 1,128
<b>Balance at 31 December</b>	<b>398,385</b>	<b>348,092</b>

Expiry dates for tax losses carried forward are as follows:

in CHF 1,000	31.12.2016	31.12.2015
In 1 year	24,138	3,659
In 2 years	26,005	21,947
In 3 years	62,039	26,011
In 4 years and more	286,203	296,475
<b>Total</b>	<b>398,385</b>	<b>348,092</b>

Tax losses carried forward are recognised to the extent that it is probable that future taxable profits will be available. Cumulative tax losses of TCHF 268,962 (2015: TCHF 239,125) relate to tax losses in tax-privileged holding companies. No deferred taxes were capitalised on tax losses carried forward amounting to TCHF 40,010 (2015: TCHF 41,294) in 2016. Of the total tax losses carried forward as at 31 December 2016, TCHF 337,431 (2015: TCHF 311,417) relate to tax losses carried forward on which no deferred income tax assets have been capitalised. Most of these tax losses carried forward will expire in four or in subsequent years.

## 17. Earnings per share

	2016	2015
Net income attributable to shareholders in CHF 1,000	- 30,194	- 34,697
Weighted average number of shares outstanding in shares	180,982,212	177,708,224
<b>Basic earnings per share in CHF</b>	<b>- 0.167</b>	<b>- 0.195</b>

There is a potential dilution effect relating to the option to exercise conversion rights in connection with the issuing of the convertible bonds on 18 June 2014 and 11 April 2016. However, the diluted earnings per share are the same as the undiluted earnings per share because the convertible bonds have an antidilutive effect. Please refer to Note 31 "Financial liabilities" for further explanation.

## 18. Property, plant and equipment

in CHF 1,000	Land and buildings	Technical installation and machinery	Plant and office equipment	Total
<b>Cost</b>				
Balance at 1 January 2015	129,149	312,926	26,825	468,900
Additions	1,067	24,845	822	26,734
Disposals	- 19,743	- 28,960	- 2,646	- 51,349
Currency translation	- 5,463	- 15,659	- 1,712	- 22,834
Reclassifications	35,860	- 36,431	489	- 82
<b>Balance at 31 December 2015</b>	<b>140,870</b>	<b>256,721</b>	<b>23,778</b>	<b>421,369</b>
Balance at 1 January 2016	140,870	256,721	23,778	421,369
Additions	2,112	22,451	1,035	25,598
Disposals	- 2,011	- 32,379	- 3,016	- 37,406
Currency translation	- 22	2,310	109	2,397
Reclassifications	14,085	- 14,953	430	- 438
<b>Balance at 31 December 2016</b>	<b>155,034</b>	<b>234,151</b>	<b>22,336</b>	<b>411,521</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2015	- 99,429	- 233,736	- 22,506	- 355,671
Depreciation (Note 9)	- 1,962	- 8,854	- 1,503	- 12,319
Impairments (Note 9)	- 15	- 670	- 34	- 719
Disposals	18,271	28,125	2,060	48,456
Currency translation	3,567	12,385	1,510	17,462
Reclassifications	- 21,588	21,638	22	72
<b>Balance at 31 December 2015</b>	<b>- 101,156</b>	<b>- 181,112</b>	<b>- 20,451</b>	<b>- 302,719</b>
Balance at 1 January 2016	- 101,156	- 181,112	- 20,451	- 302,719
Depreciation (Note 9)	- 2,840	- 9,159	- 1,546	- 13,545
Impairments (Note 9)	- 524	- 2,457	- 216	- 3,197
Disposals	1,181	31,357	2,851	35,389
Currency translation	28	- 1,204	- 126	- 1,302
Reclassifications	-	- 1	7	6
<b>Balance at 31 December 2016</b>	<b>- 103,311</b>	<b>- 162,576</b>	<b>- 19,481</b>	<b>- 285,368</b>
<b>Net carrying amounts at 31 December 2015</b>	<b>39,714</b>	<b>75,609</b>	<b>3,327</b>	<b>118,650</b>
<b>Net carrying amounts at 31 December 2016</b>	<b>51,723</b>	<b>71,575</b>	<b>2,855</b>	<b>126,153</b>

Technical installations and machinery include an amount of TCHF 21,059 (2015: TCHF 26,246) relating to property, plant and equipment under construction.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This impairment test has been determined using the discounted cash flow method applying discount rates ranging from 7.5% to 11.1% (2015: 7.6% to 13.1%). The management estimates discount rates using rates that reflect current market assessments, the time value of money and the risk specific to the cash-generating units. In addition, the management assumes an annual growth rate of 1.5% (2015: 1.5%) for the calculation of the perpetual annuity.

Von Roll prepares cash flow forecasts derived from the most recent financial budget 2017 approved by the management and the Board of Directors and extrapolates cash flows for 2018 to 2021 and following years based on the anticipated growth rates for the business model. In setting the planning parameters, sufficient allowance was made for growth based on corporate targets and current global economic conditions.

Impairment tests in 2016 revealed the need for impairment due to business performance in the amount of TCHF 3,197 (2015: TCHF 719). TCHF 56 (2015: TCHF 650) of this amount related to the Von Roll Insulation segment, TCHF 3,127 (2015: TCHF 18) to the Von Roll Composites segment and TCHF 14 (2015: TCHF 51) to the Other activities segment. TCHF 2,588 (2015: TCHF 668) of the impairment amount is included in the cost of goods sold, TCHF 450 (2015: TCHF 0) in research and development costs, TCHF 14 (2015: TCHF 51) in administration expense and TCHF 145 (2015: TCHF 0) in restructuring costs.

## 19. Goodwill

in CHF 1,000	2016	2015
<b>Balance at 1 January</b>	<b>12,774</b>	<b>13,207</b>
Impairments	-1,980	-
Currency translation	336	- 433
<b>Balance at 31 December</b>	<b>11,130</b>	<b>12,774</b>

In accordance with IAS 36, goodwill is tested for impairment at year end or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment test has been determined using the discounted cash flow method applying discount rates ranging from 7.5% to 10.4% (2015: 7.6% to 10.6%). The management estimates discount rates using rates that reflect current market assessments, the time value of money and the risk specific to the cash-generating units. In addition, the management assumes an annual growth rate of 1.5% for the calculation of the perpetual annuity for all units (2015: 1.5%). An increase in the discount rates of 1 percentage point would increase the impairment required in the Insulation segment by an amount of TCHF 5,594.

Von Roll prepares cash flow forecasts derived from the most recent financial budget for the year 2017 approved by the management and the Board of Directors and extrapolates cash flows for 2018 to 2021 and following years based on the anticipated growth rates for the business. In setting the planning parameters, sufficient allowance was made for growth based on corporate targets and current global economic conditions. For the cash-generating units corresponding to legal entities and assigned to the Von Roll Insulation segment (Von Roll USA Inc, Albesiano Sisa Vernici S.r.l. and Von Roll India), growth rates of between -5.0% and 9.8% have been assumed in the planning phase 2017 to 2021 (2015: between -8.7% and 35.0%). The anticipated EBIT margins are between 0.3% and 16.7% (2015: between 1.8% and 12.4%). No goodwill is allocated to the Von Roll Composites segment (2015: no goodwill). For the company in the Other activities segment (Von Roll BHU Umwelttechnik GmbH), the management is anticipating growth rates in the planning phase of up to 48.6% (2015: up to 68.2%) and EBIT margins of between 6.1% and 6.9% (2015: between -4.2% and 6.3%). These high growth rates are the result of the increased focus being placed on large-scale projects in the water industry, the current delays to the start of several projects and low total sales.

The impairment tests in 2016 revealed that goodwill allocated to Other activities required impairment in the amount of TCHF 1,980 due to business performance (2015: no impairment needed).

## 20. Intangible assets

in CHF 1,000	Trademarks, licences and similar rights	Other intangible assets	Total
<b>Cost</b>			
Balance at 1 January 2015	30,372	24,409	54,781
Additions	2,492	–	2,492
Disposals	– 93	–	– 93
Reclassifications	10	–	10
Currency translation	– 233	– 436	– 669
<b>Balance at 31 December 2015</b>	<b>32,548</b>	<b>23,973</b>	<b>56,521</b>
Balance at 1 January 2016	32,548	23,973	56,521
Additions	2,076	–	2,076
Disposals	– 407	–	– 407
Reclassifications	15	423	438
Currency translation	– 25	377	352
<b>Balance at 31 December 2016</b>	<b>34,207</b>	<b>24,773</b>	<b>58,980</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2015	– 14,249	– 21,449	– 35,698
Amortisation (Note 9)	– 2,144	– 1,112	– 3,256
Disposals	78	–	78
Currency translation	161	336	497
<b>Balance at 31 December 2015</b>	<b>– 16,154</b>	<b>– 22,225</b>	<b>– 38,379</b>
Balance at 1 January 2016	– 16,154	– 22,225	– 38,379
Amortisation (Note 9)	– 2,316	– 528	– 2,844
Impairments (Note 9)	– 27	– 1,132	– 1,159
Disposals	327	–	327
Reclassifications	– 6	–	– 6
Currency translation	20	– 241	– 221
<b>Balance at 31 December 2016</b>	<b>– 18,156</b>	<b>– 24,126</b>	<b>– 42,282</b>
<b>Net carrying amounts at 31 December 2015</b>	<b>16,394</b>	<b>1,748</b>	<b>18,142</b>
<b>Net carrying amounts at 31 December 2016</b>	<b>16,051</b>	<b>647</b>	<b>16,698</b>

In the financial year 2016, internally generated intangible assets in the amount of TCHF 1,118 (2015: TCHF 1,210) were capitalised.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment test has been determined using the discounted cash flow method applying discount rates ranging from 7.5% to 11.1% (2015: 7.6% to 13.1%). The management estimates discount rates using rates that reflect current market assessments, the time value of money and the risk specific to the cash-generating units. In addition, the management assumes an annual growth rate of 1.5% (2015: 1.5%) for the calculation of the perpetual annuity.



Impairment tests in 2016 revealed the need for impairment in the amount of TCHF 1,159 (2015: TCHF 0). TCHF 1,132 (2015: TCHF 0) of this amount related to the Von Roll Insulation segment and TCHF 27 (2015: TCHF 0) to the Von Roll Composites segment. TCHF 27 (2015: TCHF 0) of the impairment amount is included in sales and distribution expense and TCHF 1,132 (2015: TCHF 0) in administration expense.

Von Roll prepares cash flow forecasts derived from the most recent financial budget for the year 2017 approved by the management and the Board of Directors and extrapolates cash flows for 2018 to 2021 and following years based on the anticipated growth rates for the business. In setting the planning parameters, sufficient allowance was made for growth based on corporate targets and current global economic conditions.

## 21. Investment property

in CHF 1,000	2016	2015
<b>Cost</b>		
Balance at 1 January	44,077	43,829
Additions	-	273
Disposals	- 868	- 25
<b>Balance at 31 December</b>	<b>43,209</b>	<b>44,077</b>
<b>Accumulated depreciation</b>		
Balance at 1 January	- 35,776	- 35,086
Depreciation (Notes 9 and 12)	- 703	- 690
<b>Balance at 31 December</b>	<b>- 36,479</b>	<b>- 35,776</b>
<b>Net carrying amounts at 31 December</b>	<b>6,730</b>	<b>8,301</b>

The disposals of investment property include the sale of the Mühlacker property in Gerlafingen.

The fair value of investment property is TCHF 21,517 (2015: TCHF 21,952). Fair values for buildings have been determined using the discounted cash flow method, applying discount rates ranging from 4.00% to 4.55%. Fair values for unimproved land have been determined on the basis of current market prices. Fair values are calculated regularly (every five years) by independent, qualified experts. The latest valuations were prepared in July 2016. The next valuation will be performed in 2021.

## 22. Financial assets

in CHF 1,000	2016	2015
<b>Balance at 1 January</b>	<b>3,070</b>	<b>40,577</b>
Additions	295	1,606
Disposals/repayments	- 268	- 38,556
Reclassifications to/from receivables	- 197	219
Currency translation	419	- 776
<b>Balance at 31 December (Note 27)</b>	<b>3,319</b>	<b>3,070</b>
Of which current	308	602
Of which non-current	3,011	2,468

An investment of over 20% in Transalpina GmbH, Vienna, which is not shown separately in the balance sheet for materiality reasons, is included in the financial assets. Von Roll earned no dividend income from Transalpina GmbH in 2016 (2015: TCHF 26). This item also includes refunded input tax credits bought at a government auction.

### Valuations at fair value recognised in the balance sheet

Financial instruments valued at fair value when first included are allocated to hierarchical levels 1 to 3 according to the observability of valuation bases.

- » **Level 1 valuations at fair value** are based on quoted prices (unadjusted) in an active market for identical assets and liabilities.
- » **Level 2 valuations at fair value** are based on data other than the prices quoted in level 1. The factors used for the valuation are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).
- » **Level 3 valuations at fair value** are based on valuation methods using parameters for assets and liabilities that are based upon non-observable market data (unobservable data).

## 23. List of subsidiaries

Details of Von Roll's significant consolidated subsidiaries as of 31 December 2016 are as follows:

Name and registered office	Percentage of shareholding	Country	Share capital currency	Share capital amount (in 1,000)	Principal activity
<b>EMEA</b>					
Von Roll Schweiz AG, Breitenbach	99.99 %	CH	CHF	16,000	Prod. and sales
Von Roll Management AG, Au/Wädenswil	100.00 %	CH	CHF	1,500	Management
Von Roll Umwelttechnik Holding AG, Breitenbach	97.50 %	CH	CHF	100	Holding
Von Roll Finance AG, Breitenbach	100.00 %	CH	CHF	1,000	Finance
Von Roll Insulation & Composites Holding AG, Breitenbach	100.00 %	CH	CHF	1,000	Holding
Von Roll Deutschland Holding GmbH, Augsburg	100.00 %	DE	EUR	125	Holding
Von Roll Deutschland GmbH, Augsburg	100.00 %	DE	EUR	9,000	Prod. and sales
Von Roll REACH GmbH, Augsburg	100.00 %	DE	EUR	25	Management
Von Roll BHU Umwelttechnik GmbH, Bietigheim-Bissingen	100.00 %	DE	EUR	50	Prod. and sales
Von Roll France S.A., Delle	100.00 %	FR	EUR	5,925	Prod. and sales
Von Roll Isola France S.A., Delle	100.00 %	FR	EUR	4,928	Prod. and sales
Von Roll UK Ltd, Bradford <sup>1</sup>	100.00 %	GB	GBP	4,000	Prod. and sales
Von Roll Italia SpA, Ghisalba	100.00 %	IT	EUR	1,300	Prod. and sales
Albesiano Sisa Vernici S.r.l., Trofarello	100.00 %	IT	EUR	2,300	Prod. and sales
OOO Von Roll, Moscow	100.00 %	RU	RUB	10	Sales
<b>America</b>					
Von Roll do Brasil Ltda., Fortaleza	100.00 %	BR	BRL	22,929	Prod. and sales
Von Roll Austral Inc., Douglasville/Georgia	100.00 %	US	USD	2	Prod. and sales
Von Roll USA, Inc., Schenectady/New York	100.00 %	US	USD	250	Prod. and sales
John C. Dolph Company, Monmouth Junction/New Jersey	100.00 %	US	USD	434	Management
Von Roll USA Holding, Inc., Wilmington/Delaware	100.00 %	US	USD	-	Holding
<b>Asia</b>					
Pearl Insulations Pvt. Ltd, Bangalore	100.00 %	IN	INR	23,126	Prod. and sales
Von Roll India Pvt Ltd, Bangalore	100.00 %	IN	INR	173,500	Holding and Trading
Von Roll Asia Pte Ltd, Singapore	100.00 %	SG	SGD	850	Sales
Von Roll Shanghai Co. Ltd, Shanghai	100.00 %	CN	CHF	7,100	Prod. and sales
Von Roll Trading Shanghai Co., Ltd., Shanghai	100.00 %	CN	CNY	1,000	Sales
Von Roll Hong Kong Holding Ltd., Hong Kong	100.00 %	CN	HKD	10	Holding
Mica Electrical (Luhe) Co., Ltd., Luhe	100.00 %	CN	HKD	62,000	Prod. and sales
New Jadwson Electrical (Shenzhen) Co., Ltd., Shenzhen	100.00 %	CN	HKD	5,600	Prod. and sales

<sup>1</sup> Of which TGBP 3,750 is paid-in

## 24. Leasing

The carrying amounts of leased property, plant and equipment (financial leases) and the obligations entered into for financial lease agreements as of 31 December 2016 and 31 December 2015 amount to TCHF 0.

The obligations entered into for non-terminable operating lease agreements are listed below with the following maturities as of 31 December:

in CHF 1,000	31.12.2016	31.12.2015
Within 1 year	1,614	2,243
In 2 to 5 years	2,163	3,687
More than 5 years	-	12
<b>Total lease commitments of future minimum lease payments</b>	<b>3,777</b>	<b>5,942</b>

Von Roll's operating lease agreements relate mainly to office and facility rental commitments, cars, machinery and equipment rentals.

An amount of TCHF 2,195 (2015: TCHF 3,098), relating exclusively to operating lease payments, has been expensed to the income statement.

## 25. Inventories

in CHF 1,000	31.12.2016	31.12.2015
Raw materials and supplies	32,458	25,044
Work in progress and semi-finished goods	11,761	12,794
Finished goods	20,888	23,725
Amounts due from customers under construction contracts (Note 26)	3,864	5,008
Inventory obsolescence provision	- 5,364	- 6,097
<b>Total</b>	<b>63,607</b>	<b>60,474</b>

In the reporting period, inventories amounting to TCHF 5,519 (2015: TCHF 4,697) were valued at their lower net realisable value.

The management estimates the need for the inventory obsolescence provision based on inventory turnover.

## 26. Construction contracts

in CHF 1,000	2016	2015
Construction costs incurred plus recognised profits less recognised losses to date	22,437	20,010
Less progress billings	-19,533	-15,852
<b>Total</b>	<b>2,904</b>	<b>4,158</b>
Recognised and included in the financial statements as amounts due:		
From customers under construction contracts (Note 25)	3,864	5,008
To customers under construction contracts (Note 34)	-960	-850
<b>Total</b>	<b>2,904</b>	<b>4,158</b>

The construction contracts are attributable to Von Roll BHU Umwelttechnik GmbH. In the reporting year 2016 TCHF 8,732 and in 2015 TCHF 8,689 of revenue was generated from construction contracts. As at 31 December 2016, customers' security deposits for construction contracts stood at TCHF 0 (2015: TCHF 0). Advance payments by customers for construction contracts amounted to TCHF 19,663 (2015: TCHF 15,853).

## 27. Trade accounts receivable

in CHF 1,000	31.12.2016	31.12.2015
Receivables (gross)	56,354	61,636
Bad debt allowance	-2,316	-1,948
<b>Total</b>	<b>54,038</b>	<b>59,688</b>

The bad debt allowances are based on specific valuation allowances and actual experience regarding the ageing structure at Von Roll.

The following table shows movements in bad debt allowances:

in CHF 1,000	31.12.2016	31.12.2015
At 1 January	-1,948	-1,933
Currency translation	27	104
Bad debt losses	-877	-360
Usage of bad debt allowance	390	187
Reversal of bad debt allowance	92	54
<b>Bad debt allowance at 31 December</b>	<b>-2,316</b>	<b>-1,948</b>

The book values of trade accounts receivable are equal to the maximum default risk.

The trade accounts receivable have the following ageing structure:

in CHF 1,000	31.12.2016	31.12.2015
Not past due	43,490	44,320
Less than 1 month past due	3,696	7,001
Between 1 month and 3 months past due	5,545	2,479
Between 3 months and 12 months past due	1,440	6,450
More than 1 year past due	2,183	1,386
Bad debt allowance	-2,316	-1,948
<b>Total</b>	<b>54,038</b>	<b>59,688</b>

The trade accounts receivable which are not past due and which are not subject to valuation allowances, as well as the financial assets, have the following due dates:

in CHF 1,000	31.12.2016	31.12.2015
Accounts receivable, not past due	43,490	44,320
Financial assets (Note 22)	3,319	3,070
Less investment in associate	-98	-100
<b>Total</b>	<b>46,711</b>	<b>47,290</b>
Thereof due in:		
Less than 1 month	24,582	23,753
Between 1 month and 3 months	19,209	20,771
Between 3 months and 12 months	80	515
More than 1 year	2,840	2,251
<b>Total</b>	<b>46,711</b>	<b>47,290</b>

Trade accounts receivable include amounts denominated in the following currencies:

in CHF 1,000	31.12.2016	31.12.2015
CHF	723	1,317
EUR	27,837	28,137
GBP	1,257	1,745
USD	9,249	9,935
CNY	8,178	9,523
INR	6,121	8,454
Other currencies	673	577
<b>Total</b>	<b>54,038</b>	<b>59,688</b>

## 28. Other accounts receivable and prepaid expenses

in CHF 1,000	31.12.2016	31.12.2015
Receivables from employees	113	103
Receivables from VAT and other excise duties	11,099	9,539
Downpayments to supplier	1,312	4,597
Other receivables	1,339	2,201
Prepaid expenses and deferred income	2,139	3,633
<b>Total</b>	<b>16,002</b>	<b>20,073</b>



## 29. Cash and cash equivalents

in CHF 1,000	31.12.2016	31.12.2015
CHF	9,736	43,474
EUR	7,132	8,551
GBP	643	1,843
USD	4,944	8,308
CNY	1,929	3,181
INR	3,308	2,955
Other currencies	1,320	2,036
<b>Total</b>	<b>29,012</b>	<b>70,348</b>

Cash and cash equivalents include cash held at banks and other financial institutions. They bear interest ranging from 0.0 % to 16.3 % (2015: 0.0 % to 14.4 %). Cash is only deposited with financial institutions with a high credit rating. As at the end of 2016, the balance of cash and cash equivalents subject to a drawing restriction amounted to TCHF 6,868 (2015: TCHF 7,388).

## 30. Equity

### Share capital

The share capital registered in the commercial register has a nominal value of CHF 18,477,889 as of 31 December 2016, which corresponds to 184,788,889 bearer shares each with a par value of CHF 0.10. Due to the conversion of some of the convertible bonds issued in 2014, the share capital issued as of 31 December 2016 has a nominal value of CHF 20,144,556, which corresponds to 201,445,555 bearer shares each with a par value of CHF 0.10.

Converting 40,000 rights to the outstanding convertible bonds for 2014 to 2020 led to 16,666,666 new shares being issued in the reporting year, increasing the share capital by CHF 1,666,667. The amount by which the carrying amount of the pro rata liability component and deferred tax liabilities in the amount of CHF 34,950,333 exceeds the par value of the new shares was credited to capital reserves (see Note 31 “Financial liabilities”).

The Annual General Meeting on 13 April 2016 increased the conditional capital of CHF 3,000,000 approved at the Annual General Meeting on 9 April 2014 by CHF 6,238,944.40 to CHF 9,238,944.40. The Board of Directors is thus entitled to increase the company’s share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 to be subscribed for by exercising conversion rights granted in connection with debentures or similar bonds of Von Roll Holding AG or Group companies. The holders of conversion rights at that time are entitled to acquire the new shares. Shareholders’ subscription rights are excluded. Shareholders’ advance subscription rights can be restricted or excluded by a decision of the Board of Directors to finance or refinance the acquisition of companies, parts of companies or investments or new investments planned by the company, or to issue convertible bonds on national or international capital markets. If advance subscription rights are excluded, the bonds are to be placed at market conditions, the period for exercising the conversion rights is to be set at a maximum of ten years from bond issuance and, when conversion rights are exercised, new shares are to be issued at conditions which take the market price of the shares into account.

As some of the convertible bonds for 2014 to 2020 were converted, the amount of conditional capital was reduced by CHF 1,666,667.

The Annual General Meeting on 13 April 2016 then created authorised capital. This entitles the Board of Directors to increase the company's share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 at any time until 13 April 2018. Increases by means of firm underwriting (by a bank, a banking syndicate or a third party) and increases by partial amounts are permitted. The Board of Directors determines the time of issue, the issue price, the type of contribution to be made and the timing of dividend entitlement. The Board of Directors is also entitled to enable, restrict or prohibit trading in subscription rights. The Board of Directors may place subscription rights which are not exercised or shares for which subscription rights are granted but not exercised at market conditions or make use of them in another way in the interest of the company. The Board of Directors is entitled to restrict or suspend shareholders' subscription rights in order to use the shares in connection with mergers and acquisitions (including takeovers) of companies, parts of companies or shareholdings or with new investments planned by the company and/or Group companies, financing or refinancing such mergers, acquisitions or planned new investments or converting loans or financial liabilities.

### Treasury shares

As at 31 December 2016, Von Roll holds 7,079,601 (2015: 7,068,947) treasury shares with an average value of CHF 8.28 (2015: CHF 8.59). This represents a shareholding of 3.51% (2015: 3.83%) of the share capital issued.

	Number of shares		Number of shares	
	2016	in CHF 1,000	2015	in CHF 1,000
Share capital				
At 1 January	184,778,889	18,479	184,778,889	18,479
Conversion of convertible bond	16,666,666	1,666	–	–
<b>At 31 December</b>	<b>201,445,555</b>	<b>20,145</b>	<b>184,778,889</b>	<b>18,479</b>
Treasury shares				
At 1 January	7,068,947	48,619	7,067,629	51,501
Purchase/sale of treasury shares	10,654	– 3,228	1,318	– 2,882
<b>At 31 December</b>	<b>7,079,601</b>	<b>45,391</b>	<b>7,068,947</b>	<b>48,619</b>

### Composition of the major shareholders

The composition of the major shareholders is presented in the Notes to the financial statements of Von Roll Holding AG.

## 31. Financial liabilities

in CHF 1,000	Fair value		Book value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Current portion of bonds and loans	1,219	2,424	1,219	2,424
Other financial liabilities	8	672	8	672
Bond	-	148,500	-	149,772
<b>Current financial liabilities</b>	<b>1,227</b>	<b>151,596</b>	<b>1,227</b>	<b>152,868</b>
Convertible bonds	168,030	60,573	148,766	54,188
Loans and other financial liabilities	22	-	22	-
<b>Non-current financial liabilities</b>	<b>168,052</b>	<b>60,573</b>	<b>148,788</b>	<b>54,188</b>
<b>Financial liabilities</b>	<b>169,279</b>	<b>212,169</b>	<b>150,015</b>	<b>207,056</b>

### Convertible bond – 2016 to 2022

As of 11 April 2016, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL16; Swiss security number: 31954490; ISIN: CH0319544901) of CHF 150 million due in 2022. They are convertible into 150,000,000 bearer shares (subject to any adjustments due to the dilution protection clause) of Von Roll. The shares to be delivered upon conversion of the bonds will be new shares made available from the conditional share capital and, insofar as necessary, from the authorised share capital (see Note 30 “Equity”).

The conversion price is set at CHF 1.00. The offering and redemption price are set at 100% each. The convertible bonds will carry a coupon of 1.000% per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for one existing share. Accordingly, based on an issue total of CHF 150 million, each shareholder has the right to purchase a bond of CHF 1,000 nominal amount for every 1,185 shares held on 22 March 2016 after the end of trading.

Any exercise of conversion rights will dilute the shares. The convertible bond can be redeemed early at any time if more than 85% of the original bond total is converted and/or redeemed or, after 2 May 2018, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange is 130% or more of the conversion price over a period of 20 out of 30 consecutive trading days.

A convertible bond is a compound financial instrument, into which a conversion right is embedded for the investor. Under IAS 32, convertible bonds must be split into a liability and an equity component. The early redemption options represent additional embedded derivatives.

On initial recognition of the convertible bond, the liability and equity components were split as follows: in a first step, the fair value of the liability component was determined. This corresponds to the present value of future payments from the convertible bond (interest and nominal amount). They were discounted at an interest rate that would apply to an identical bond with no conversion right. The difference between the fair value of the liability component calculated in this way and the nominal amount was recognised as the equity component. The issuance costs were split pro rata between the liability and equity components.

The proceeds from the issue of the convertible bond totalled TCHF 149,342 and break down as follows:

in CHF 1,000

Carrying amount of liability component	127,695
Less proportional issue costs	- 560
<b>Net liability component</b>	<b>127,135</b>
Carrying amount of equity component	22,305
Less proportional issue costs	- 98
Less deferred taxes	- 1,935
<b>Net equity component</b>	<b>20,272</b>
<b>Deferred taxes</b>	<b>1,935</b>
<b>Total proceeds of issue</b>	<b>149,342</b>

The equity component remains unchanged under equity until bonds are converted. The difference of TCHF 22,865 as of 11 April 2016 between the carrying amount of the liability component (TCHF 127,135) and the redemption amount (TCHF 150,000) will be amortised over the residual term of the convertible bond until 11 April 2022 using the effective interest method.

Deferred tax liabilities must be recognised on the difference between the taxable value of the convertible bond and the carrying amount of the liability component at the holding tax rate and released through profit and loss over the term of the convertible bond.

No rights have been converted during the reporting year due to the one-year lock-up period.

The profit and loss statement shows accrued interest of TCHF 1,079 and a further TCHF 2,486 due to compounding, equating to an effective interest rate of 3.898 %.

### Convertible bond – 2014 to 2020

As of 18 June 2014, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL14; Swiss security number: 24523928; ISIN: CH0245239287) of CHF 61 million due in 2020. They are convertible into 25,416,870 bearer shares (subject to any adjustments due to the dilution protection clause) of Von Roll. The shares to be delivered upon conversion of the bonds will be shares made available from the conditional new share capital (see Note 30 “Equity”).

The conversion price is set at CHF 2.40. The offering and redemption price are set at 100 % each. The convertible bonds will carry a coupon of 1.250 % per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for seven existing shares.

Any exercise of conversion rights will dilute the shares. The convertible bond can be redeemed early at any time if more than 85 % of the original bond total is converted and/or redeemed or, after 9 July 2016, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange (SIX) is 130 % or more of the conversion price over a period of 20 out of 30 consecutive trading days.

40,000 rights were converted during the reporting period, meaning that 16,666,666 new bearer shares were created.

As of the reporting date, the convertible bonds are recognised in the statement of financial position as follows:

in CHF 1,000	
Carrying amount of liability component	52,816
Less proportional issue costs	- 712
Amortisation of difference between liability component / redemption amount	3,344
Conversion of bond into bearer shares	- 36,303
<b>Net liability component</b>	<b>19,145</b>
Carrying amount of equity component	8,184
Less proportional issue costs	- 111
Less deferred taxes	- 747
<b>Net equity component upon issue</b>	<b>7,326</b>
Increase in equity through conversion	36,303
Reversal of deferred tax upon conversion	314
<b>Equity component conversions</b>	<b>36,617</b>
Provisions for deferred tax upon issue	756
Cumulative reversal for deferred tax in income statement	- 284
Reversal for deferred tax conversion against equity	- 314
<b>Deferred tax liability</b>	<b>158</b>

The profit and loss statement shows interest of TCHF 676 (2015: TCHF 763) and expenses of TCHF 1,287 (2015: TCHF 1,369) due to compounding, equating to an effective interest rate of 4.035%.

### Bond – 2012 to 2016

The domestic bond denominated in Swiss francs issued in 2012 (stock symbol: ROL12; Swiss security number: 19623860; ISIN: CH0196238601) in the amount of CHF 150 million fell due on 24 October 2016. Units with a nominal value of TCHF 21,125 were repurchased early for TCHF 21,805 (including accrued interest and exchange fees). The remaining units with a nominal value of TCHF 128,875 were repurchased on 24 October 2016 at their nominal value. The bond had an annual coupon of 4.0% and the effective interest rate applied over the four-year term was 4.2%.

The following table shows the due dates for the company's financial liabilities compared to the previous year:

in CHF 1,000	31.12.2016	31.12.2015
Within 1 year	1,227	152,868
In 2 years	-	-
In 3 years	-	-
In 4 years	19,167	-
In 5 years and more	129,621	54,188
<b>Total</b>	<b>150,015</b>	<b>207,056</b>

On 31 December 2016, Von Roll had TCHF 23,301 (2015: TCHF 2,566) unused credit facilities available.

As of 31 December 2016, there are financial liabilities outstanding in the following currencies:

in 1,000	CHF	EUR	Other	Total
Bonds	149,985	-	-	149,985
Loans and other financial liabilities	30	-	-	30
<b>Total</b>	<b>150,015</b>	<b>-</b>	<b>-</b>	<b>150,015</b>

As of 31 December 2015, there were financial liabilities outstanding in the following currencies:

in 1,000	CHF	EUR	Other	Total
Bonds	205,472	-	-	205,472
Loans and other financial liabilities	-	269	1,315	1,584
<b>Total</b>	<b>205,472</b>	<b>269</b>	<b>1,315</b>	<b>207,056</b>

The financial liabilities are normally outstanding in the local currency of the subsidiaries. Risks from currency translation occur only if the transactions of a subsidiary are denominated in a different currency from the presentation currency CHF or in a currency other than the respective local currency. To manage the foreign exchange risk from future commercial transactions, Von Roll uses forward contracts selectively.

Interest rates for the financial year 2016 were as follows:

Average interest rate in %	CHF	EUR	Other currencies
Bond 2012 – 2016	4.00 %	-	-
Convertible bond 2014 – 2020	1.25 %	-	-
Convertible bond 2016 – 2022	1.00 %	-	-
Bank debts	-	2.84 %	-
Loans and other financial liabilities	4.08 %	-	-

Interest rates for the financial year 2015 were as follows:

Average interest rate in %	CHF	EUR	Other currencies
Bond 2012 – 2016	4.00 %	-	-
Convertible bond 2014 – 2020	1.25 %	-	-
Bank debts	-	2.12 %	10.75 %
Loans and other financial liabilities	0.30 %	-	-

Borrowings issued at variable rates expose Von Roll to interest rate risks and may result in higher interest rate expenses in future. Financial liabilities with a fixed interest rate include the risk of fluctuations in value. The corresponding fair values are shown above. The financial liabilities of Von Roll are mainly denominated in Swiss francs. They are almost entirely based on fixed interest rates and are not hedged. An increase of 1% in the interest rate on variable-interest financial liabilities would reduce the pre-tax result by TCHF 1 (2015: TCHF 4).



## 32. Provisions

in CHF 1,000	Staff related	Environmental restoration	Contingency and commitments	Legal claims	Restructuring	Other	Total
<b>Balance at 1 January 2015</b>	<b>2,077</b>	<b>11,235</b>	<b>1,779</b>	<b>1,123</b>	<b>21,714</b>	<b>8,316</b>	<b>46,244</b>
Additions	144	–	1,142	55	4,440	9,943	15,724
Unused	–92	–1,587	–172	–	–267	–769	–2,887
Utilised	–134	–557	–721	–	–13,084	–10,789	–25,285
Reclassifications	–	–	347	–	–	–235	112
Currency translation	–127	7	–5	–64	–1,241	–342	–1,772
<b>Balance at 31 December 2015</b>	<b>1,868</b>	<b>9,098</b>	<b>2,370</b>	<b>1,114</b>	<b>11,562</b>	<b>6,124</b>	<b>32,136</b>
Of which current	–	–	1,963	–	7,791	4,028	13,782
Of which non-current	1,868	9,098	407	1,114	3,771	2,096	18,354
<b>Balance at 1 January 2016</b>	<b>1,868</b>	<b>9,098</b>	<b>2,370</b>	<b>1,114</b>	<b>11,562</b>	<b>6,124</b>	<b>32,136</b>
Additions	151	69	388	1,372	3,560	5,200	10,740
Unused	–241	–	–253	–397	–799	–512	–2,202
Utilised	–27	–85	–1,455	–737	–7,079	–4,412	–13,795
Reclassifications	–	–	–9	–	–	–639	–648
Currency translation	–12	39	–6	–3	153	–	171
<b>Balance at 31 December 2016</b>	<b>1,739</b>	<b>9,121</b>	<b>1,035</b>	<b>1,349</b>	<b>7,397</b>	<b>5,761</b>	<b>26,402</b>
Of which current	–	60	729	672	4,018	3,983	9,462
Of which non-current	1,739	9,061	306	677	3,379	1,778	16,940

### Staff related

Staff related provisions mainly include contributions to employee anniversary awards and pension plans.

### Environmental provisions

Future requirements for Von Roll to take action to remediate in accordance with local laws and directives the environmental impact of sediments and emissions of chemical substances caused by Von Roll and third parties, as well as the associated costs are inherently difficult to estimate. The material components of environmental provisions are the costs of completely cleaning and restoring contaminated sites and of treating and containing contamination at sites where the environmental exposure is less severe. Von Roll believes that its total reserves for environmental restoration are adequate, based on currently available information. However, given the inherent difficulties, the necessary funds and the timing of future outflows cannot be reliably estimated.

### Contingency and commitments

Contingency and commitments consist mainly of provisions for customer claims, guarantees and warranties.

### Legal claims

Legal claims consist mainly of provisions for ongoing legal proceedings.

### Restructuring

You can find detailed information on the restructuring provisions in Note 13.

### Other provisions

Other provisions consist of provisions which could not be allocated to any other categories, for example repurchase obligations for bobbins, tax disputes, obligations arising from unfavourable contracts and repair costs.

### 33. Trade accounts payable

Trade accounts payable fall due as follows:

in CHF 1,000	31.12.2016	31.12.2015
Less than 1 month	15,352	12,916
Between 1 month and 3 months	5,787	9,387
Between 3 months and 12 months	3,543	3,860
More than 1 year	230	110
<b>Total</b>	<b>24,912</b>	<b>26,273</b>

Trade accounts payable comprise amounts denominated in the following currencies:

in CHF 1,000	31.12.2016	31.12.2015
CHF	2,499	4,602
EUR	13,640	10,994
GBP	117	390
USD	3,731	2,358
CNY	3,299	1,835
INR	1,075	5,162
Other currencies	551	932
<b>Total</b>	<b>24,912</b>	<b>26,273</b>

### 34. Other current liabilities and accruals

in CHF 1,000	31.12.2016	31.12.2015
Advances from customers	4,102	4,887
VAT and other excise duty payables	6,522	5,864
Amounts due to customers under construction contracts (Note 26)	960	850
Social security payables	2,333	2,761
Payables to employees	962	1,274
Other deferred income and accruals	14,452	11,492
Other accounts payable	3,593	4,486
<b>Total</b>	<b>32,924</b>	<b>31,614</b>

In the reporting year, other current liabilities and accruals mainly comprised provisions for personnel, including annual leave, overtime and bonuses of TCHF 8,519 (2015: TCHF 6,432) and other accruals of TCHF 5,933 (2015: TCHF 5,060).

### 35. Contingent liabilities and guarantees

in CHF 1,000	31.12.2016	31.12.2015
Guarantees	6,679	7,679
Warranty obligations	137	94
<b>Total</b>	<b>6,816</b>	<b>7,773</b>

Contingent liabilities and guarantees fell by TCHF 957 year-on-year. This decrease mainly came about because obligations from the transformers business no longer applied, although this was negated to an extent by an increase in guarantees issued for water projects.

Von Roll Holding AG has issued letters of comfort to various subsidiaries for existing bank loans. None of these loans were drawn down as at the balance sheet date 2016.

### 36. Purchase commitments

in CHF 1,000	31.12.2016	31.12.2015
For property, plant and equipment	691	4,764
Minimum purchase commitments for goods	1,514	384
Other non-recorded commitments	406	386
<b>Total</b>	<b>2,611</b>	<b>5,534</b>

The minimum purchase commitments for goods relate primarily to the purchase of copper. Von Roll has not entered into any additional financial or contractual commitments for tangible assets.

### 37. Pledged assets

As at the reporting date of 31 December 2016, land and buildings amounting to CHF 44.7 million (2015: CHF 1.8 million) are pledged.

### 38. Employee benefits

The Group operates different pension plans in Switzerland and abroad for employees who satisfy the participation criteria. They include both defined benefit and defined contribution plans, which insure the Group's employees against death, disability and retirement. The Group also has plans covering anniversary payments or other benefits linked to time served, which qualify as plans for other employee benefits due in the future or as post-employment plans.

#### Defined contribution plans

The Group offers defined contribution plans to employees who satisfy the eligibility criteria. The company is obliged to pay a fixed percentage of employees' annual salary to these pension schemes. Employees have also to make contributions to some of these plans. These are usually deducted from their monthly salary by the employer and likewise paid to the pension fund. Apart from the payment of contributions, the employer currently has no further obligations.

During the financial year 2016, the employer's contribution to defined contribution plans amounted to TCHF 258 (2015: TCHF 261).

### Defined benefit plans

The Group funds defined benefit plans for the employees who satisfy the criteria to join such plans. The most significant plans of this kind are located in Switzerland and the USA. Other plans are located in France, Germany, India and Italy.

Restructuring measures were implemented in various countries in the reporting year 2016, which led to a curtailment gain to be recognised immediately.

#### a) Pension funds in Switzerland

The Group operates various pension schemes for employees in Switzerland. The plans are either organised through a separate foundation or through an affiliation to a collective foundation of an insurance company. The foundations are governed by foundation boards. The foundation board of the pension fund that covers the mandatory benefits is made up of an equal number of employee and employer representatives. The main duties of the foundation boards include decisions about the plan regulations including the level of the contributions, the organisation of the foundation and the setting of the investment strategy. As decisions are made by the foundation board, the only influence exerted by the employer is through its representatives.

The benefits mainly depend on a retirement savings account. The annual retirement credits and the interest will be credited to the retirement savings account (there is no option to credit negative interest). At retirement age, the insured members can choose whether to take a pension for life, which includes a spouse's pension, or a lump-sum payment. In addition to retirement benefits, the plan benefits also include disability and death benefits. Insured members may also buy into the scheme to improve their pension provision up to the maximum amount permitted under the regulations or may withdraw funds early to purchase a residential property for personal use. On leaving the company, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution. This type of benefit may result in pension payments varying considerably between individual years.

In terms of defining the benefits, the minimum requirements of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2016, this rate was 1.25% (2015: 1.75%). It will be set at 1.00% for 2017.

The employer is exposed to actuarial risks arising from the plan setup and the legal provisions of the BVG. The main risks are investment risk, interest risk, disability risk and the risk of longevity.

The employer and employee contributions are set by the foundation board. The employer has to finance at least 50% of the total contributions. In the event of a shortfall, recapitalisation contributions to eliminate the gap in coverage may be levied from both the employer and the employee.

#### b) Defined benefit plans in the USA

The Group operates a pension plan and a health care plan in the USA.

The pension plan is financed through a trust by employer and employee contributions. At retirement age, the normal form of the benefit is a pension for life which includes a spouse's pension. The insured person can also opt for a lump-sum payment. Legal minimum funding requirements apply for this plan.

Under the health care plan, the insured person can opt to have the same benefits between the ages of 60 and 65 as he or she had as an active employee.

The employer is exposed to actuarial risks arising from the setup of the two benefit plans. The main risks in the pension plan are investment risk, salary increase and longevity risk. In the health care plan the main risk is the increase in health care costs.

### c) Other pension plans

In Germany, the Group operates different company pension plans. These plans are based on different regulations and agreements between the employer and employees. Individual agreements apply to certain management employees. The most significant plans are funded directly by the employer and do not have any assets separate from the company. The plans are regulated by the German Occupational Pension Act (Betriebsrentengesetz). The most significant risks in these plans are longevity and inflation risks, which might result in pension adjustments.

The other material plans in France, India and Italy satisfy the legal requirements. The benefits of these plans are usually paid as a one-off lump sum.

The final actuarial valuation of the present values of the defined benefit obligations and the service cost were carried out on 31 December 2016 by independent actuaries using the projected unit credit method. The fair value of the plan assets was calculated as at 31 December 2016 based on the information available when the annual financial statements were prepared.

The main assumptions on which the actuarial calculations are based can be summarised as follows:

As at 31 December	2016	2015
Discount rate	0.9%	1.2%
– Included discount rate Switzerland	0.6%	0.9%
Future increases in salaries	1.7%	1.8%
Future pension adjustments	0.1%	0.1%
Life expectancy at age 65		
Year of birth	1951	1950
– Men	22.26	21.49
– Women	24.32	23.96
Year of birth	1971	1970
– Men	24.18	23.24
– Women	26.22	25.67

The amounts recognised in the statement of comprehensive income can be summarised as follows:

in CHF 1,000	2016	2015
<b>Pension expense, recognised in profit and loss</b>		
Service cost		
– Current service costs	– 6,198	– 7,083
– Past service costs and curtailments	11,215	4,492
Net interest cost	– 710	– 513
Termination benefits	– 1,897	–
Administration expense incl. taxes	– 369	– 114
<b>Total defined benefit cost recognised in profit and loss</b>	<b>2,041</b>	<b>– 3,218</b>
<b>Remeasurement of the defined benefit liabilities and assets, recognised in OCI</b>		
Actuarial losses (-) / gains (+)		
– Arising from changes in demographic assumptions	– 40	– 24
– Arising from changes in financial assumptions	– 8,634	– 3,460
– Arising from experiences	3,341	– 3,751
Return on plan assets (excl. amounts in net interest)	3,768	– 4,912
<b>Total defined benefit cost recognised in OCI</b>	<b>– 1,565</b>	<b>– 12,147</b>
<b>Total defined benefit cost</b>	<b>476</b>	<b>– 15,365</b>

The changes in pension obligations can be summarised as follows:

in CHF 1,000	2016	2015
Balance of defined benefit obligation at 1 January	273,626	271,364
Current service cost	6,198	7,083
Contribution from plan participants	2,641	2,681
Past service gain	– 2,318	– 2,936
Gain on curtailments	– 8,897	– 1,556
Termination benefits	1,897	–
Interest expenses on the present value of the obligations	3,134	3,606
Benefit payments and net transferals through pension assets	– 21,414	– 10,819
Benefit payments by the employer	– 1,439	– 1,381
Actuarial losses	5,333	7,235
Currency translation	893	– 1,651
<b>Balance of defined benefit obligation at 31 December</b>	<b>259,654</b>	<b>273,626</b>

Movements in pension assets are as follows:

in CHF 1,000	2016	2015
Plan assets at 1 January	251,635	257,592
Interest income	2,424	3,093
Contributions from plan participants	2,641	2,681
Contributions from the employer	4,708	4,116
Benefit payments and net transferals through pension assets	– 21,414	– 10,819
Administrative expense paid from plan assets	– 369	– 114
Return on plan assets (excl. interest income)	3,768	– 4,912
Currency translation	456	– 2
<b>Plan assets at 31 December</b>	<b>243,849</b>	<b>251,635</b>

The net pension obligation recognised in the statement of financial position can be summarised as follows:

in CHF 1,000	31.12.2016	31.12.2015
Post-employment benefit obligations	30,491	35,056
Pension plan assets	-14,686	-13,065
<b>Net obligation (+) / asset (-) recognised in the statement of financial position</b>	<b>15,805</b>	<b>21,991</b>

The amounts recognised in the statement of financial position are as follows:

in CHF 1,000	31.12.2016	31.12.2015
Present value of funded obligations	239,713	253,795
Fair value of plan assets	-243,849	-251,635
<b>Overfunding</b>	<b>-4,136</b>	<b>2,160</b>
Present value of unfunded obligations	19,941	19,831
Assets not available to Group	-	-
<b>Net obligation (+) / asset (-) recognised in the statement of financial position</b>	<b>15,805</b>	<b>21,991</b>

The pension assets mainly consist of the following categories of securities:

in CHF 1,000	31.12.2016	31.12.2015
<b>Equities</b>		
- Quoted investments	93,791	93,280
- Non-quoted investments	-	-
<b>Bonds</b>		
- Quoted investments	95,766	108,989
- Non-quoted investments	-	-
Real estate	32,243	27,625
Alternative investments	7,280	7,202
Qualified insurance policies	6,616	6,303
Others	1,589	2,127
Cash	6,564	6,109
<b>Total plan assets</b>	<b>243,849</b>	<b>251,635</b>

The Swiss pension funds manage about 95% of the total assets. The foundation boards of the Swiss pension funds issue investment guidelines for the plan assets, which include the tactical asset allocation and the benchmarks for comparing the results with a general investment universe. The pension plan assets are well diversified. The Swiss pension plans are also subject to the legal requirements on diversification and safety laid down by the BVG. It is a duty of the foundation boards of the pension funds to review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and whether the risk budget is in line with the demographic structure. Compliance with the investment guidelines and the investment results from the investment advisors are reviewed quarterly. The investment strategy is also audited periodically by external investment consultants for effectiveness and appropriateness.

The plan assets include investments in the Group with a market value of TCHF 381 at 31 December 2016 and TCHF 393 at 31 December 2015.



The following table provides a breakdown of the defined benefit obligations among active insured members, former members with vested benefits and members receiving pensions. The terms of the obligations are also given:

in CHF 1,000	2016	2015
Active employees	124,125	147,675
Vested terminations	2,704	2,103
Pensioners	132,825	123,848
<b>Total defined benefit obligation</b>	<b>259,654</b>	<b>273,626</b>
Modified duration	13.9	15.3

The main factors that bring about changes in the obligations are the discount rate, salary trends and pension indexation. Increasing or decreasing them by 0.25% would have the following impact on the present value of the defined benefit obligations:

in CHF 1,000	31.12.2016		31.12.2015	
	+0.25%	-0.25%	+0.25%	-0.25%
Discount rate	- 8,419	8,977	- 8,927	9,531
Salary increase	521	- 560	476	- 505
Pension indexation	426	- 397	255	- 243

The health care plan is sensitive to the medical trend rate. The following table summarises the impact of an increase or reduction of the trend rate by 1% on the present value of the defined benefit obligations:

in CHF 1,000	31.12.2016		31.12.2015	
	+1.00%	-1.00%	+1.00%	-1.00%
Medical trend rate	592	- 522	522	- 463

### Other non-current employee benefits

The Group operates plans in Switzerland and Germany, which provide other non-current employee benefits, primarily anniversary payments.

The net liability of these plans recognised in staff-related provisions amounts to TCHF 765 as at 31 December 2016 and TCHF 951 as at 31 December 2015. The personnel expenses reported in the income statement for the financial year 2016 amount to TCHF 67 (2015: TCHF 52).

### Post-employment plans

A German subsidiary offers early retirement programmes to certain employees (Altersteilzeit). The net liability of this programme recognised in staff-related provisions amounts to TCHF 25 as at 31 December 2016 and TCHF 40 as at 31 December 2015.

### 39. Related party transactions

Related companies and persons include associated companies and persons holding voting rights, either directly or indirectly, who could exercise a decisive influence on company management, as well as their closest relatives, Group managers and their relatives and companies subject to uniform management or decisive influence by the cited persons.

Transactions with related parties are disclosed below:

in CHF 1,000	2016	2015
<b>Compensation of the Board of Directors and key management personnel</b>		
Benefits	2,606	2,609
Post-employment benefits	419	416
<b>Total</b>	<b>3,025</b>	<b>3,025</b>

No loans, advances or guarantee obligations were granted to members of the Board of Directors and/or Executive Management or major shareholders of Von Roll Holding AG. Members of the Board of Directors, members of the management team and parties related to them held 29,669,067 shares of Von Roll Holding AG as of 31 December 2016 (2015: 24,269,067). For detailed information, please refer to the Notes to the statutory financial statements of Von Roll Holding AG.

### 40. Events after the balance sheet date

There were no events between the balance sheet date and the authorisation of the report by the Board of Directors that were subject to a reporting obligation.

### 41. Authorisation of the consolidated financial statements

These consolidated financial statements were authorised for publication by the Board of Directors on 2 March 2017 and will be recommended for approval at the Annual General Meeting on 24 April 2017.

# Statutory Auditor's Report

To the General Meeting of  
VON ROLL HOLDING AG, BREITENBACH

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Von Roll Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 38 – 88) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matters

## How the scope of our audit responded to the key audit matters

### Recoverability of goodwill, intangible assets and property, plant and equipment

- » Von Roll Holding discloses an amount of CHF 11 million in its annual financial statements under the position “Goodwill”. The goodwill is tested for impairment at least annually or when indications exist that it may be impaired. Management tests the goodwill on the basis of a discounted cash flow model. For that purpose, future expected cash flows are discounted and the calculated recoverable amount (value in use) is compared to the carrying amount. The result of this valuation is highly dependent on the estimation of the future cash flows by management as well as from the discount rates applied. Accordingly, a high level of judgment is involved. The valuation method is described in Note 1 “Significant accounting policies” of the consolidated financial statements. Additional disclosures regarding the goodwill are presented in Note 19 “Goodwill”.
- » During our test of the discounted cash flow models applied, we focused on the assessments and assumptions management used. We involved our valuation specialists in order to determine whether the valuation model complies with generally accepted valuation methods as well as to assess the reasonableness of the discount rates. We tested the appropriateness of the future cash flow projections of management by ensuring they are in line with the budget approved by the board and the five-year plan as well as through comparison with the general and specific market expectations of the industry. For that purpose, we required management to document their assumptions as well as their ability and capacities to implement the “Delta Integrale” restructuring programme. We evaluated management’s sensitivity analysis to quantify the effects of negative developments in the assumptions, which could lead to impairments. We assessed the related disclosures in Note 19 “Goodwill”.
- » The total of “property, plant and equipment” as well as “intangible assets” amounts to CHF 143 million. Due to the various restructuring measures and the history of operating losses, there is a risk of impairment of intangible assets and property, plant and equipment. The valuation method of such assets is described in Note 1 “Significant accounting policies” and further disclosures are presented in Note 18 “Property, plant and equipment” and Note 20 “Intangible assets”.
- » In order to test the recoverability of property, plant and equipment as well as of the intangible assets, we assessed management’s process to identify internal and external impairment indicators. In doing so, we focused on the locations affected by restructuring measures. Where impairment indicators have been identified, we compared the carrying amount with the calculated value in use respectively the fair value less cost of disposal.

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**Key audit matters****How the scope of our audit responded to the key audit matters**

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**Restructuring provisions and expenses**

- » The restructuring measures announced by Von Roll Holding AG in the press release from 5 July 2016 have been substantially implemented as at 31 December 2016. This represents a significant event in the reporting period. As at 31 December 2016, an amount of CHF 7.5 million in restructuring expenses and a restructuring provision of CHF 7.4 million have been recognised.
  - » There is a risk that the restructuring expenses are not booked correctly in the financial statements 2016 or that the restructuring expenses recognised do not comply with the requirements of IFRS. The related accounting policies are disclosed in Note 1 “Significant accounting policies”. Further information regarding restructuring is disclosed in Note 13 “Restructuring costs” and Note 32 “Provisions”.
- » We tested the adequacy and completeness of the recorded expenses on the basis of the social plans agreed with the employee representatives and the related expected costs. We also tested on a sample base the payments made and the expenses recorded.
  - » In addition, we tested the compliance of the booked provisions with the requirements of IFRS.

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**Key audit matters****How the scope of our audit responded to the key audit matters**

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**Tax risks**

- » Tax declarations and especially the related transfer pricing schemes have been questioned by isolated foreign tax authorities. In addition, the company has appealed against a tax notification in the area of indirect tax. The estimation of the related necessary provisions is a significant management estimate and contains inherent estimation uncertainty. The corresponding provisions are disclosed in Note 32 “Provisions”.
- » We have received an assessment from the involved lawyers in the respective jurisdictions in order to assess the adequacy of the recorded provisions. We have examined these documents in collaboration with our internal tax specialists. Based thereupon, we have built our own expectations of the amounts to be provided and compared them with the provisions recorded by management.
- » We examined the latest documentation in the area of indirect tax and discussed with management in what way their assessment changed in comparison to previous periods.

### Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



### Report on Other Legal and Regulatory Requirements

In accordance with 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.

DELOITTE AG



Patrick Fawer  
Licensed Audit Expert  
Auditor in Charge



Christophe Aebi  
Licensed Audit Expert

Zurich, 2 March 2017

## Income statement of Von Roll Holding AG for the year 2016

in CHF 1,000	Note	2016	2015
Operating income	3	3,840	2,781
Personnel expense		- 4,526	- 3,435
Operating expense	3	- 11,833	- 8,070
<b>Net operating result</b>		<b>- 12,519</b>	<b>- 8,724</b>
Income from investment		220	240
Other financial income		5,065	12,731
Other financial expense		- 8,820	- 19,716
<b>Net operating result before tax</b>		<b>- 16,054</b>	<b>- 15,469</b>
Exceptional expense	4	- 13,779	- 3,435
<b>Result before tax</b>		<b>- 29,833</b>	<b>- 18,904</b>
Income tax		38	- 34
<b>Result after tax</b>		<b>- 29,795</b>	<b>- 18,938</b>

## Balance sheet of Von Roll Holding AG as at 31 December 2016

### Assets

in CHF 1,000	Note	31.12.2016	31.12.2015
<b>Current assets</b>			
Cash and cash equivalents	5	8,426	28,782
Receivables from Group companies		17,259	2,066
Receivables from third parties		440	1,110
Prepaid expenses and accruals		792	902
<b>Total current assets</b>		<b>26,917</b>	<b>32,860</b>
<b>Non-current assets</b>			
Loans with Group companies		70,775	94,217
Non-current securities		270	270
Investments in Group companies	6	272,071	285,850
<b>Total non-current assets</b>		<b>343,116</b>	<b>380,337</b>
<b>Total assets</b>		<b>370,033</b>	<b>413,197</b>

### Equity and liabilities

in CHF 1,000	Note	31.12.2016	31.12.2015
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables to Group companies		7,398	22,801
Payables to third parties		598	194
Payables to tax authorities		–	2
Current financial liabilities	7	–	150,000
Current provisions	8	1,529	501
Deferred income and accruals		2,702	2,443
<b>Total current liabilities</b>		<b>12,227</b>	<b>175,941</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	7	171,000	61,000
Non-current provisions	8	7,698	7,698
<b>Total non-current liabilities</b>		<b>178,698</b>	<b>68,698</b>
<b>Total liabilities</b>		<b>190,925</b>	<b>244,639</b>
<b>Equity</b>			
Share capital	9	20,145	18,479
Legal reserves			
– General legal reserves (from capital contribution)		60,210	21,876
– Capital contribution reserves		322,562	322,562
Legal retained earnings			
– General legal reserves		11,123	11,123
Optional reserves			
– General reserves		3,490	3,490
Net loss (-) / profit (+) shown in the balance sheet			
– Accumulated loss (-) / profit (+)		-199,510	-180,572
– Result after tax		-29,795	-18,938
Treasury shares	9	-9,117	-9,462
<b>Total equity</b>		<b>179,108</b>	<b>168,558</b>
<b>Total equity and liabilities</b>		<b>370,033</b>	<b>413,197</b>

# Notes to the statutory financial statements 2016 of Von Roll Holding AG

## 1. Introduction

The statutory financial statements of Von Roll Holding AG with registered office in Breitenbach, Switzerland, comply with the provisions of Swiss accounting law under the Swiss Code of Obligations (CO). Von Roll Holding AG prepares consolidated financial statements in accordance with IFRS. Therefore, these financial statements and their notes do not contain any additional disclosures or a cash flow statement or management report.

## 2. Accounting policies

### Investments in Group companies

Investments in Group companies are reported at acquisition cost less valuation allowances.

### Financial liabilities

Financial liabilities are included in the balance sheet at their nominal value. Financial liabilities are described in Note 7.

### Treasury shares

Treasury shares are reported at cost at the time of acquisition as negative items in equity and are not valued subsequently. If they are disposed at a later date, the resulting gain or loss is recognised in the income statement.

## 3. Operating income and operating expense

The operating income in 2016 consists largely of Group-internal invoicing. The operating expenses in 2016 consist mainly of Group-internal invoicing of CHF 8.1 million (2015: CHF 5.0 million).

## 4. Exceptional expense

The exceptional expense relates solely to valuation allowances on the book values of investments in both the reporting year and the previous year.

## 5. Cash and cash equivalents

Cash and cash equivalents are held in the following currencies:

in CHF 1,000	31.12.2016	31.12.2015
CHF	8,074	27,702
EUR	113	217
GBP	4	5
USD	235	857
ILS	-	1
<b>Total</b>	<b>8,426</b>	<b>28,782</b>

As at the end of 2016, the balance of cash and cash equivalents subject to a drawing restriction amounted to CHF 5.1 million (2015: CHF 5.8 million).

## 6. List of subsidiaries

Name and registered office	Share capital currency	Share capital amount (in 1,000)		Capital and voting rights (in %)	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Von Roll Management AG, Au/Wädenswil (CH)	CHF	1,500	1,500	100.00 %	100.00 %
Von Roll Umwelttechnik Holding AG, Breitenbach (CH)	CHF	100	100	97.50 %	97.50 %
Von Roll Finance AG, Breitenbach (CH)	CHF	1,000	1,000	100.00 %	100.00 %
Von Roll Insulation & Composites Holding AG, Breitenbach (CH)	CHF	1,000	1,000	100.00 %	100.00 %
Von Roll Solar AG, Au/Wädenswil (CH)	CHF	180	180	95.00 %	95.00 %
Von Roll Deutschland Holding GmbH, Augsburg (DE)	EUR	125	125	20.00 %	20.00 %
Von Roll Schweiz AG, Breitenbach (CH)	CHF	16,000	16,000	99.99 %	99.99 %
OOO Von Roll, Moscow (RU)	RUB	10	10	20.00 %	20.00 %
Pearl Insulations Pvt. Ltd, Bangalore (IN)	INR	23,126	23,126	36.75 %	36.75 %

## 7. Financial liabilities

### Convertible bond – 2016 to 2022

As of 11 April 2016, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL16; Swiss security number: 31954490; ISIN: CH0319544901) of CHF 150 million due in 2022. They are convertible into 150,000,000 bearer shares (subject to any adjustments due to the dilution protection clause) of Von Roll. The shares to be delivered upon conversion of the bonds will be new shares made available from the conditional share capital and, insofar as necessary, from the authorised share capital.

The conversion price is set at CHF 1.00. The offering and redemption price are set at 100% each. The convertible bonds will carry a coupon of 1.000% per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for one existing share. Accordingly, based on an issue total of CHF 150 million, each shareholder has the right to purchase a bond of CHF 1,000 nominal amount for every 1,185 shares held on 22 March 2016 after the end of trading.

Any exercise of conversion rights will dilute the shares. The convertible bond can be redeemed early at any time if more than 85% of the original bond total is converted and/or redeemed or, after 2 May 2018, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange is 130% or more of the conversion price over a period of 20 out of 30 consecutive trading days.

### Convertible bond – 2014 to 2020

As of 18 June 2014, Von Roll Holding AG issued unsecured convertible bonds (stock symbol: ROL14; Swiss security number: 24523928; ISIN: CH0245239287) of CHF 61 million due in 2020. They are convertible into 25,416,870 bearer shares (subject to any adjustments due to the dilution protection clause) of Von Roll. The shares to be delivered upon conversion of the bonds will be shares made available from the conditional new share capital.

The conversion price is set at CHF 2.40. The offering and redemption price are set at 100% each. The convertible bonds carry a coupon of 1.250% per annum, payable annually in arrears. Existing shareholders have been granted advance subscription rights to subscribe for the convertible bonds in proportion to their current shareholding. Through the conversion of the convertible bonds, one new share is created for seven existing shares.

Any exercise of conversion rights will dilute the shares. The convertible bond can be redeemed early at any time if more than 85% of the original bond total is converted and/or redeemed or, after 9 July 2016, if the closing price of the Von Roll Holding AG registered share on the SIX Swiss Exchange (SIX) is 130% or more of the conversion price over a period of 20 out of 30 consecutive trading days.

40,000 rights were converted during the reporting period, meaning that 16,666,666 new bearer shares were created (see Note 9 “Equity and treasury shares”).

#### Bond – 2012 to 2016

The domestic bond denominated in Swiss francs issued in 2012 (stock symbol: ROL12; Swiss security number: 19623860; ISIN: CH0196238601) in the amount of CHF 150 million fell due on 24 October 2016. Units with a nominal value of TCHF 21,125 were repurchased early for TCHF 21,805 (including accrued interest and exchange fees). The remaining units with a nominal value of TCHF 128,875 were repurchased on 24 October 2016 at their nominal value. The bond had an annual coupon of 4.0 % and the effective interest rate applied over the four-year term was 4.2 %.

## 8. Provisions

The provisions include provisions for legal claims, provisions for restructuring, provisions for personnel and social affairs and provisions for environmental restoration. Both the amount and composition of the non-current provisions remain the same as the previous year. Current provisions increased to CHF 1.5 million (2015: CHF 0.5 million), mainly as a result of the restructuring activities.

## 9. Equity and treasury shares

	2016	2015
Number of issued shares	201,445,555	184,778,889
Nominal value in CHF	0.10	0.10
<b>Share capital in CHF</b>	<b>20,144,556</b>	<b>18,477,889</b>

The share capital as of 31 December 2016 consists of 201,445,555 bearer shares (2015: 184,778,889) with a par value per share of CHF 0.10.

Converting 40,000 rights to the outstanding convertible bonds for 2014 – 2020 (see Note 7 “Financial liabilities”) led to 16,666,666 new shares being issued in the reporting year, increasing the share capital by CHF 1,666,667. The premium from converting the convertible bonds pushed the general legal reserves from capital contribution up by CHF 38,333,333.

The Annual General Meeting on 13 April 2016 increased the conditional capital of CHF 3,000,000 approved at the Annual General Meeting on 9 April 2014 by CHF 6,238,944.40 to CHF 9,238,944.40. The Board of Directors is thus entitled to increase the company’s share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 to be subscribed for by exercising conversion rights granted in connection with debentures or similar bonds of Von Roll Holding AG or Group companies. The holders of conversion rights at that time are entitled to acquire the new shares. Shareholders’ subscription rights were excluded. Shareholders’ advance subscription rights can be restricted or excluded by a decision of the Board of Directors to finance or refinance the acquisition of companies, parts of companies or investments or new investments planned by the company, or to issue convertible bonds on national or international capital markets. If advance subscription rights are excluded, the bonds are to be placed at market conditions, the period for exercising the conversion rights is to be set at a maximum of ten years from bond issuance and, when conversion rights are exercised, new shares are to be issued at conditions which take the market price of the shares into account.

As some of the convertible bonds for 2014 – 2020 were converted, the amount of conditional capital was reduced by CHF 1,666,667.

The Annual General Meeting on 13 April 2016 then created authorised capital. This entitles the Board of Directors to increase the company's share capital by up to CHF 9,238,944.40 by issuing a maximum of 92,389,444 fully paid-up bearer shares each with a par value of CHF 0.10 at any time until 13 April 2018. Increases by means of firm underwriting (by a bank, a banking syndicate or a third party) and increases by partial amounts are permitted. The Board of Directors determines the time of issue, the issue price, the type of contribution to be made and the timing of dividend entitlement. The Board of Directors is also entitled to enable, restrict or prohibit trading in subscription rights. The Board of Directors may place subscription rights which are not exercised or shares for which subscription rights are granted but not exercised at market conditions or make use of them in another way in the interest of the company. The Board of Directors is entitled to restrict or suspend shareholders' subscription rights in order to use the shares in connection with mergers and acquisitions (including takeovers) of companies, parts of companies or shareholdings or with new investments planned by the company and/or Group companies, financing or refinancing such mergers, acquisitions or planned new investments or converting loans or financial liabilities.

As of the reporting date, Von Roll Holding AG held 7,079,601 treasury shares (2015: 7,068,947) which were valued at a price of CHF 1.29 (2015: CHF 1.33). During the reporting period, a loss was incurred on the sale of treasury shares in the amount of CHF 0.3 million (2015: a loss of CHF 0.2 million), which is included in other financial expense. In the financial year 2016, Von Roll Holding AG acquired 551,346 (2015: 478,128) treasury shares at an average price of CHF 0.66 (2015: CHF 1.04). The highest price for the purchased shares was CHF 0.93 (2015: CHF 1.49), while the lowest price at which treasury shares were acquired was CHF 0.52 (2015: CHF 0.65). In 2016, 540,692 (2015: 476,810) treasury shares were sold at an average price of CHF 0.67 (2015: CHF 1.04). This figure includes sales at a high of CHF 0.97 (2015: CHF 1.50) and a low of CHF 0.54 (2015: CHF 0.66).

Since 1 January 2015, the treasury shares held have no longer been valued subsequent to initial recognition.

## 10. Major shareholders (pursuant to Article 663c of the Swiss Code of Obligations)

As of 20 November 2008, the von Finck group of shareholders (comprising August von Finck, Munich, Germany; Francine von Finck, Munich, Germany; August François von Finck, Zurich, Switzerland; Maximilian von Finck, Freienbach, Switzerland; and Maria Theresia von Finck, Munich, Germany, together with Von Roll Holding AG, Breitenbach, Switzerland [treasury shares]) declared a shareholding of 66.75%, which corresponds to 123,334,009 bearer shares.

On 15 March 2016, the company declared a purchase position amounting to 3.82% of the share capital registered in the commercial register (7,061,312 treasury shares) (31 December 2016: 3.83%, which corresponds to 7,079,601 treasury shares; 31 December 2015: 3.83%, which corresponds to 7,068,947 treasury shares) and a sale position amounting to 94.94% of the share capital registered in the commercial register (31 December 2016: 85.91%, which corresponds to 158,750,204 treasury shares; 31 December 2015: 13.76%, which corresponds to 25,416,870 treasury shares). The sale position covers the convertible bonds issued in 2014 and 2016.

Further details about the disclosure notifications can be found on the SIX Swiss Exchange website <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=VONROLL>.



## 11. Contingent liabilities to third parties

in CHF 1,000	2016	2015
Guarantees	8,116	8,813

As of 31 December 2016, total guarantees amounted to CHF 8.1 million (2015: CHF 8.8 million). The decrease year-on-year is due to the fact that obligations from the transformers business no longer apply, albeit negated to an extent by an increase in water projects.

Von Roll Holding AG has issued letters of comfort to various subsidiaries for existing bank loans. None of these loans were drawn down as at the balance sheet date 2016.

## 12. Disclosures relating to the Board of Directors and management

Board of Directors and management remuneration are shown in the Remuneration Report.

On 31 December, members of the Board of Directors, members of the management team and parties related to them held the following bearer shares:

Number	2016	2015
Dr. Peter Kalantzis Chairman of the Board of Directors	1,333	1,333
Guido Egli Vice-Chairman of the Board of Directors	1,067	1,067
Gerd Amtstätter Member of the Board of Directors	466,667	466,667
August François von Finck Member of the Board of Directors	23,800,000	23,800,000
Dr. Christian Hennerkes Delegate of the Board of Directors	5,400,000	–
<b>Total</b>	<b>29,669,067</b>	<b>24,269,067</b>

As of the reporting date, August François von Finck held 19,124 of the convertible bonds issued in 2016 (ISIN: CH0319544901), which can be converted into 19,124,000 bearer shares. As in the previous year, he held 8,170 of the convertible bonds issued in 2014 (ISIN: CH0245239287), which can be converted into 3,404,193 bearer shares.

## 13. Further information

### Full-time positions

Von Roll Holding AG employs 12 members of staff (2015: 12 members of staff).

### Events after the balance sheet date

There were no events between the balance sheet date and the authorisation of the report by the Board of Directors that were subject to a reporting obligation.

## Allocation of accumulated results

in CHF 1,000	2016	2015
Accumulated loss (-) / profit (+)	- 199,510	- 180,572
Result after tax	- 29,795	- 18,938
<b>Net loss shown in the balance sheet</b>	<b>- 229,305</b>	<b>- 199,510</b>
Distribution of dividend	-	-
Balance to be carried forward	- 229,305	- 199,510

After the allocation of the accumulated result, the equity reconciles as follows:

in CHF 1,000	2016	2015
Share capital	20,145	18,479
General legal reserves (from capital contribution)	60,210	21,876
Capital contribution reserves	322,562	322,562
General legal reserves	11,123	11,123
General reserves	3,490	3,490
Accumulated loss	- 229,305	- 199,510
Treasury shares	- 9,117	- 9,462
<b>Equity</b>	<b>179,108</b>	<b>168,558</b>

Breitenbach, 2 March 2017

Von Roll Holding AG  
For the Board of Directors:

*P. Kalantzis*

Dr. Peter Kalantzis  
Chairman of the Board of Directors

# Statutory Auditor's Report

To the General Meeting of  
VON ROLL HOLDING AG, BREITENBACH

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Von Roll Holding AG, which comprise the balance sheet as at 31 December 2016, and the income statement and notes for the year then ended.

In our opinion the financial statements as at 31 December 2016 (pages 95 – 102) comply with Swiss law and the company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key audit matters****How the scope of our audit responded to the key audit matters**

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**Recoverability of investments**

- » Von Roll Holding AG discloses an amount of CHF 272 million in its annual financial statements under the position “Investments in Group companies”. Management assesses the recoverability of these Investments on a regular basis. For that purpose, future expected cash flows are discounted and the calculated recoverable amount (value in use) is compared to the carrying amount. The result of this valuation is highly dependent on the estimation of the future cash flows through management as well as from the discount rates applied. Accordingly, a high level of judgment is involved. The valuation principles are disclosed in Note 2 of the financial statements.
- » During our test of the discounted cash flow models utilised, we focused on the assessment of the management assumptions. We involved our valuations specialists in order to determine whether the valuation model complies with generally accepted valuation methods as well as to assess the reasonableness of the discount rates. We tested the appropriateness of the future cash flow projections of management by ensuring they are in line with the budget approved by the board and the five-year plan as well as through comparison with the general and specific market expectations of the industry. For that purpose, we required management to document their assumptions as well as their ability and capacities to implement the “Delta Integrale” restructuring programme. We evaluated management’s sensitivity analysis to quantify the effects of negative developments in the assumptions, which could lead to impairments.

### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### Report on Other Legal and Regulatory Requirements

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 recommend that the financial statements submitted to you be approved.

DELOITTE AG



Patrick Fawer  
Licensed Audit Expert  
Auditor in Charge



Christophe Aebi  
Licensed Audit Expert

Zurich, 2 March 2017

# Financial glossary

**EBIT**

Earnings before interest and taxes.

**EBIT margin**

Ratio of EBIT to sales.

**Trading volume**

Number of shares traded on the stock exchange in a specific period.

**Gross margin**

Percentage share of gross profit (sales less cost of goods sold) to total sales.

**Cash flow**

Change in cash and cash equivalents.

**EBITDA**

Earnings before interest, taxes, depreciation and amortisation (on property, plant and equipment and intangible assets).

**Equity ratio**

Percentage share of equity to total capital.

**EPS (earnings per share)**

Consolidated net income for the year divided by the average weighted number of outstanding shares.

**Cash flow from operating activities**

EBITDA less gains/losses on the disposal of fixed assets, changes in non-current provisions and changes in current assets and liabilities plus income taxes paid.

**Cash flow from investing activities**

Cash flow for investments and loans plus interest received and revenue from the disposal of fixed assets.

**Cash flow from financing activities**

Cash flow from equity contributions minus payments to owners plus cash flow from raising financial liabilities minus repayments of financial liabilities.

**Market capitalisation**

Share price multiplied by the total number of shares.

**Net cash position**

Cash and cash equivalents less interest-bearing financial liabilities.

**Net sales**

Revenue from the sale of products and/or services after deducting reductions in earnings and taxes.

**Net income**

Operating income less net financial result and taxes.

# Product glossary

## Ampere

Unit of electrical current, named after the French physicist André-Marie Ampère (1775–1820).

## Bakeland

Leo Hendrik Baekeland was a Belgian chemist who invented Bakelite, the thermosetting plastic based on phenol resin, in the early 20th century, thus laying the foundation for the production of the first composites (sheets, tubes and moulded parts) by Von Roll a few years later.

## Composite

A combination of two or more materials which has different properties to its individual components. For fibre composites, glass or carbon fibres, for example, are embedded in a matrix such as resin.

## Duroplasts

Duroplasts, also called duromers, are plastics that can no longer be moulded after hardening. Duroplasts are hard, glass-like polymer materials that are linked in a rigid 3D structure by chemical primary valency bonds. The bonds are created when preliminary products chemically react with molecular chains through the application of heat or pressure, usually with the help of catalysts.

## Electrical generators

An electrical generator (from the Latin “generare”: to beget, produce) is an electrical machine that converts kinetic energy or rotational energy into electrical energy and is therefore the reverse of the principle of the electric motor, which converts electrical energy into kinetic energy.

## Filament

Single fibre, of any length, needed to manufacture glass fabric for laminates (e.g. Vetronit®).

## Direct current (DC)

A flow of electrical current whose strength and direction do not change. It is generated in galvanic solar or fuel cells or produced from alternating current by means of a commutator, and is used in electronics, galvanisation and in the supply of energy to railway systems.

## Mica

The term “mica” covers a group of sheet silicates whose properties make them especially suitable for use in high-voltage insulation materials, particularly the minerals muscovite and phlogopite belonging to

the mica group. Their more noteworthy properties include high levels of electrical, heat and chemical resistance. Mica is resistant to the corona discharge invariably associated with high-voltage equipment. The English term mica is derived from the Latin “micare”, meaning to sparkle or shine.

## High-voltage current

High-voltage current is used for regional and nationwide electrical power transmission. The voltage level is defined as between 60 and 150 kV, but the most common is 110 kV. In contrast, rotating high-voltage machines such as motors and generators normally use between 1 and 30 kV.

## Insulation

Insulation means the process of keeping two things separate or isolating them. The verb isolate derives from the French “isoler”. In electrical engineering, insulation is used to protect the live components against contact, short circuits and unwanted residual current.

## Iodine

A chemical element, often used as a catalyst in chemical reactions such as polymerisation.

## Adhesive tapes

The adhesive tapes used in electrical insulation are special insulating tapes that have specific heat resistance and other properties. They generally contain no mica and are only used in low-voltage applications. Most are UL-certified (e.g. UL 20780 certification for Intertape® and UL E 315208 or UL E 315249).

## Laminate

A laminate (from the Latin “lamina”, or layer) is a multi-layer duroplastic material made by compressing and sticking together at least two layers of the same or different materials. Joining the materials can complement the properties of the individual constituents.

## Motor

A motor (from the Latin “motor”, or mover) is a device that performs mechanical work by converting thermal, chemical, electrical or other forms of energy. Motors normally rotate a shaft which drives machines, tools and means of transport.

## Low-voltage current

Used for local power supply. Defined as up to 1,000 volts (1 kV), but normally 230 to 400 volts.



**Surface resistance**

The voltage required to cause a specific current to flow across the surface of a material. This is an important parameter for the surface leakage resistance and antistatic properties of materials used to make printed circuits (soldering and assembly frames).

**Prepreg**

Short for preimpregnated. A combination of glass fibre mat or glass fibre filament fabric, nonwoven material or roving with resin, usually cured to the B-stage, ready for moulding.

**Primary energy**

Primary energy is an unconverted energy form that produces electricity and heat. Examples include oil, coal, natural gas and hydroelectric power.

**Quality assurance**

In today's industrial companies, the quality of manufactured products is guaranteed through quality assurance systems and periodically checked using ISO certification (e.g. ISO 9001).

**Rotational energy**

Rotational energy is the kinetic energy of a rigid body – such as a wind turbine – rotating on a fixed axis. This energy depends on the body's moment of inertia and its angular velocity. Wind turbine generators use rotational energy to produce electrical current in the stator coils through electromagnetic induction.

**Stator**

A stator is the stationary part of a machine, e.g. in an electric motor, generator, hydromotor or pump. It often also serves as the housing, and in the case of electric motors and generators, consists primarily of sheet steel and the stator coils.

**Traction motor**

A traction motor is an electric motor that drives a railborne vehicle. It is usually housed in the chassis and connected to the wheel axle via a reduction gear.

**Underwriters Laboratories (UL)**

US organisation, founded over 100 years ago, that inspects and certifies products for their usage properties and safety.

**Volt**

Unit of electromotive force named after the Italian physicist Alessandro Volta (1745–1827), the inventor of the battery.

**Alternating current**

A flow of electrical current whose strength and direction change periodically. Abbreviated to AC.

**Xenon**

A chemical element and noble gas used in gas discharge lamps, for example in car headlights.

**Yttrium**

A chemical element and rare earth metal. It plays an important role in ceramic high-temperature superconductors.

# Our product portfolio

We Enable Energy – As one of Switzerland's longest-established industrial companies, Von Roll focuses on products and systems for electrical power generation, power transmission and industrial applications.

Von Roll's portfolio is divided into the following businesses: **Von Roll Insulation** offers electrical

insulation products, systems and services for generators, high- and low-voltage motors, transformers and other applications. **Von Roll Composites** produces composite materials and parts for a variety of industrial equipment. Von Roll's other activities include developing, designing and operating water and wastewater treatment plants.



## Mica

Mica is a base material for high-voltage insulation. Von Roll's commitment to mica is extensive and covers all stages in the manufacturing process.



## Wires

Insulated round, flat and litz wires for high- and low-voltage markets and electronic applications.



## Cables

Mica tapes for fire-resistant cables. Von Roll provides a wide range of products that are ideally suited to all commonly used standards.



## Resins

Impregnation and potting resins as well as encapsulating and conformal coatings for high- and low-voltage applications.



## Flexibles

Insulating flexible materials suited for low-voltage applications such as flexible laminates and adhesive tapes.



## Composites

Engineered materials made from a resin and a support structure with distinct physical, thermal and electrical properties. They can be moulded, machined or semi-finished.



## Water & wastewater

Von Roll BHU Umwelttechnik GmbH provides state-of-the-art solutions for water and wastewater treatment.



## Defence & security

High-quality systems for security and protection based on thermoset/thermoplastic products in single use or tailored combinations.



## Testing

Von Roll provides electrical, thermal and mechanical testing of individual materials as well as complete insulating systems. We are UL-certified.



## Training

The Von Roll Insulation Training provides a training programme in high- and low-voltage insulation to its customers.

# Five-year overview

in CHF 1,000	2016	2015	2014	2013	2012
Order intake	335,729	356,603	416,382	436,162	505,133
Net sales	328,110	354,806	418,844	417,805	497,064
Number of employees (FTE)	1,703	2,002	2,248	2,551	2,727
Depreciation, amortisation and impairments	-23,428	-16,984	-20,583	-13,891	-51,502
EBIT	-20,063	-23,035	-32,495	-6,113	-53,637
Cash flow from operating activities	-10,453	-14,359	3,032	14,508	1,589
Capital expenditures	27,674	29,499	35,480	24,958	23,413
Current assets	168,280	217,540	277,142	266,042	308,299
Total assets	371,943	412,093	474,350	497,072	502,841
Current liabilities	70,632	227,593	88,147	91,288	76,043
Non-current liabilities	202,424	112,502	261,526	204,955	198,477
Equity	98,887	71,998	124,677	200,829	228,321
Equity ratio (%)	27 %	18 %	26 %	40 %	45 %
Number of issued shares	201,445,555	184,778,889	184,778,889	184,778,889	184,778,889
EBIT per share <sup>1</sup>	-0.11	-0.13	-0.18	-0.03	-0.30
Cash flow from operating activities per share <sup>2</sup>	-0.06	-0.08	0.02	0.08	0.01
Equity per share (CHF) <sup>3</sup>	0.55	0.41	0.70	1.13	1.28
Dividends per share (CHF) <sup>4</sup>	-	-	-	-	-

<sup>1</sup> EBIT/weighted average number of shares outstanding

<sup>2</sup> Cash flow from operating activities/weighted average number of shares outstanding

<sup>3</sup> Consolidated equity/weighted average number of shares outstanding

<sup>4</sup> Dividend 2016: proposal by the Board of Directors

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