

# 18 Annual Report

We Enable Energy

## Key facts

**67%**

equity ratio

**+23%**

EBITDA of CHF 25.1 million

**CHF 21.2 million**

operating cash flow



CHF **321.4 million**  
sales

## Product portfolio



Composites



Resins



Electrical  
Insulation Materials



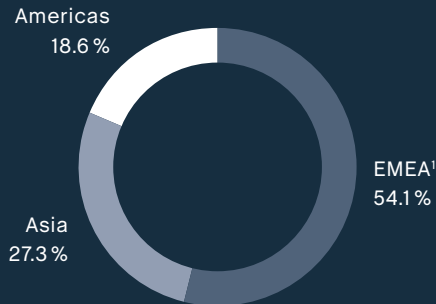
Wires

# vonRoll

World-leading manufacturer of electrical and thermal insulation systems and highly developed composites for numerous industrial applications

## Sales split by region

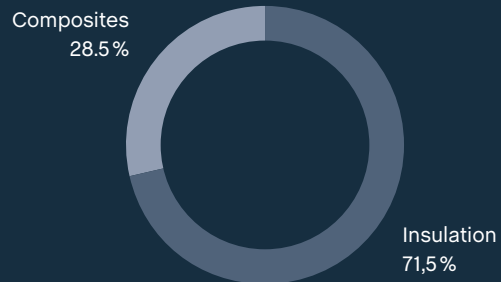
Share of total sales



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

## Sales split by segment

Share of total sales



Distribution networks in over

**80**  
countries

**> 1,200**  
employees

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## Dear Shareholders

In the financial year 2018, we made further progress both in consolidating our global business activities and in optimising our key operating figures and financial structure.

### Cash flow and equity ratio significantly improved

EBITDA rose over 23% to CHF 25.1 million (previous year: CHF 20.4 million), while operating cash flow, which amounts to CHF 21.2 million, was up four-fold on the previous year. Additional cash and cash equivalents totalling CHF 8.4 million were generated from the sale of loss-making operations. As a result, we extended our financial scope, particularly for future-oriented investments. Combined with the conversion of almost all the existing bonds, our equity base grew to CHF 233.0 million. With a new increased equity ratio of 66.5% (previous year: 28.2%), we are once again a powerful and financially strong partner to our customers.

### Structural changes continued rigorously

We also continued to steadily implement further structural changes regardless to reductions in our result or sales. The main measures included:

- » Selling the loss-making water business
- » Selling the production plant for mica plates in China
- » Concentration of the processing of composites at the sites in the UK and Germany
- » Adjusting the value of our wire production in France

Overall, the above-mentioned measures resulted in a non-recurring special charge of CHF -9.7 million on the result, so that despite all the operational improvements, the operating result (EBIT) of CHF 4.4 million remained at the level of the previous year.

The negative net result of CHF -10.7 million was primarily caused by the above-mentioned structural changes and the interest expense for the now-converted shares of the convertible bond amounting to CHF 4.5 million, which will be almost non-existent from 2019 due to the conversion.

### Drivers for future growth

The global electrification trend presents Von Roll, as world market leader for electrical insulation systems, with a wide variety of opportunities for growth. We have unique expertise in the technical design and production of all the components required. This was demonstrated recently by our significantly increased collaboration with manufacturers and suppliers from the automotive sector to accelerate the launch of electric vehicles on the market. In view of the strong momentum, we founded Von Roll Automotive, a separate unit with a rapidly growing team which focuses entirely on cultivating this market. An independent e-mobility lab was also opened as part of the Von Roll Institute to develop tailor-made solutions for innovative drives.

With regard to liquid insulation materials, Von Roll is already one of the world's largest manufacturers in the very attractive market segment of "Secondary Insulation". To further increase sales, we began scaling up production and supply over the past financial year, both regionally by entering new markets (Asia) and functionally in new applications.



In the Composites segment, we anticipate that the enhancements made to our existing products in 2018 will also drive growth. Further two extremely sophisticated new products were finished successfully and will create further potential for growth in the large aerospace market in years to come.

We are confident that the transformation process we have initiated with the aim of transferring our existing expertise and product portfolio to new applications and growth markets will be a success. However, we still need to take into account the fact that due to the multi-year development and authorisation cycles which are customary for the market, noticeable sales growth is only to be expected in the medium term.

Regardless of that, our financial structure, which improved considerably in the financial year 2018, will give us an additional opportunity to focus on pursuing options for inorganic growth.

#### Thank you

On behalf of the Board of Directors and the Executive Management, we would like to thank our shareholders for their trust and our business partners for the fruitful cooperation.

We would also like to thank our over 1,200 employees worldwide this year for their enormous dedication and loyalty.

Breitenbach, March 2019

*P. Kalantzis*

Dr. Peter Kalantzis  
Chairman of the  
Board of Directors

*Ch. Hennerkes*

Dr. Christian Hennerkes  
Chief Executive Officer



## Business development

In the financial year 2018, EBITDA rose by over 23% to CHF 25.1 million (previous year: CHF 20.4 million). Operating cash flow amounted to CHF 21.2 million, around CHF 15.9 million higher than the previous year's level. We also received cash and cash equivalents totalling CHF 8.4 million from the sale of loss-making operations. Following the conversion of almost all bonds, the equity ratio is now approximately 66.5% (previous year: 28.2%).

One-off effects due to restructuring and a valuation allowance for our production sites in Delle, France, of around CHF -9.7 million led to a non-recurring special charge affecting EBIT and the gross margin. Nevertheless, both the EBIT of CHF 4.4 million and the gross margin of 17.2% were maintained at the previous year's level.

There was robust global demand for our technical solutions and products. Growth drivers came from Asia, in particular, while demand remained at the previous year's level in Europe and declined slightly in North America.

Due to the sale of loss-making business activities, Group sales declined by 3.3% year-on-year to CHF 321.4 million.

### Business development in the Insulation segment

Contributing around two-thirds, this segment remains the mainstay of the Group's sales. The "Surface Insulation Materials", "Liquid Insulation Materials" and "Insulated Wires" product ranges belong to the Insulation segment. These products provide electrical, mechanical and thermal protection, primarily for electrical applications in generators, transformers, motors and high- and low-voltage drives.

Sales in the Insulation segment grew slightly by 0.4% to CHF 229.6 million in the reporting year compared with CHF 228.8 million in the previous year. In the past financial year, EBITDA amounted to CHF 19.5 million, which is significantly higher than the previous year's figure of CHF 12.3 million.

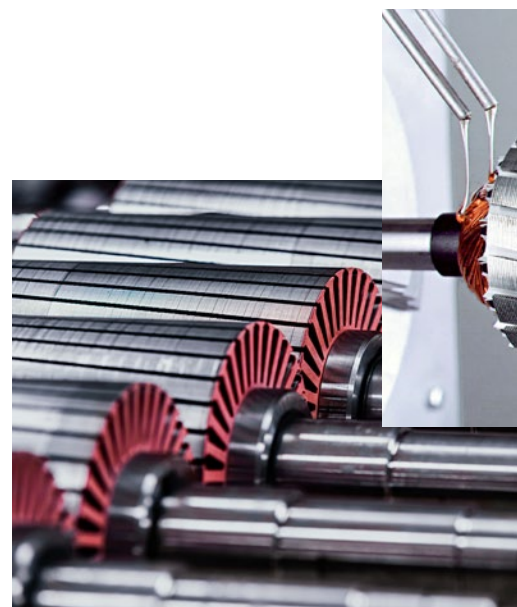
All product ranges were initially affected by declining demand for large generators (hydro and turbo generators). However, this decrease was compensated by the growth achieved in the markets for high- and low-voltage drive motors and for smaller and mobile generators.

Major sales increases were reported in the "Liquid Insulation Materials" product range in particular, where demand for environmentally friendly resins and customer-specific formulations rose worldwide. The main drivers of growth were the markets for drive motors and electronic components.

Demand in the "Surface Insulation Materials" product area shifted noticeably to Asia and to some extent also to Eastern Europe. Thanks to the IATF certification of our production plant in China, important major orders for the automotive industry were won.

### Key figures Von Roll Group

in 1,000 CHF	2018	2017
Order intake	335,890	336,141
Net sales	321,387	332,357
EBITDA	25,117	20,415
EBIT	4,358	4,475
Net income for the period	-10,712	-4,771
Cash flow from operating activities	21,231	5,307
Capital expenditures	7,798	9,258
Equity	232,984	107,151
Equity ratio (%)	66.5%	28.2%
Number of employees (FTE)	1,264	1,536



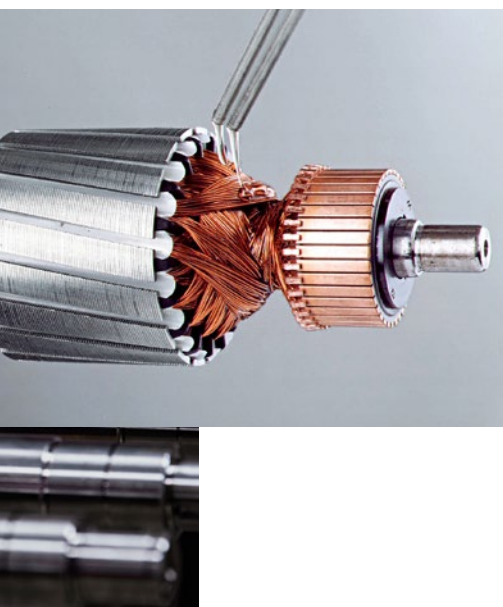
The market environment for our wire business remained extremely challenging in this reporting year, especially in Europe, due to the persisting overcapacity combined with margin erosion in the wind energy market. We did only benefit from the stronger demand in the rail industry to a limited extent because we were faced with continuing supply shortages for crucial starting materials. By contrast, there was a positive trend in India, which was also felt in our two plants in Bangalore and Bhopal, where we are in a very good position. We won two major orders with terms of several years for our Bangalore site, for which we have extended our vertical integration for the first time to produce prefabricated wire components. With our modern production facility, we are one of the largest European wire manufacturers in India, making us an attractive partner for further growth.

In terms of development in individual regions, sales in EMEA increased slightly once again. This was mainly due to higher demand for specific resins, in particular for electric drives. Business involving high- and low-voltage electric drives grew in Eastern Europe too. The financial crisis in Saudi Arabia, which resulted in a noticeable drop in orders in the Middle East, had an equally unfavourable impact on all product areas.

Business in North and South America remained below expectations, at least with regard to sales. However, it was pleasing that the main site of Schenectady, USA, managed to achieve a positive net result again

for the first time in years. The effects of the extensive structural changes of the past few months and the investment in modernising the location are clearly noticeable. In South America, demand was approximately the same as the previous year. Apart from the delay to several major power generation (turbo and hydro generator) projects caused by the presidential elections in Brazil, there were no noteworthy special events.

In Asia, sales improved clearly in the resins and high-voltage insulating tapes product sectors. The increase in the regional production of generators and drive motors was particularly decisive for the growth in Von Roll's order intake. We also benefited from the trend for climate-friendly products, which is now also emerging in Asia, and especially in China. This also stimulated demand for our particularly user- and environmentally-friendly resins.



### Von Roll Insulation: key figures

in CHF 1,000	2018	2017
Net sales	229,648	228,787
Gross margin	39,561	39,161
- In %	17.2%	17.1%
EBITDA	19,495	12,292
EBIT	3,040	444
Thereof one-time effects	- 5,600	728
Number of employees (FTE)	899	938

### Business development in the Composites segment

The Composites segment includes both semi-finished goods in the form of laminates and prepregs and made-to-measure machined parts. Some of these products are also used as elements of our thermal and electrical insulation systems. The market trend in the Insulation segment therefore also affects business development in the Composites segment.

Total sales in the Composites segment came to CHF 91.7 million (previous year: CHF 103.6 million) for the reporting year. EBITDA amounted to CHF 2.7 million in the past financial year and includes negative one-off effects of CHF -4.1 million (previous year: CHF 7.1 million).

The result and sales are impacted considerably by non-recurring special effects. One of these is due to the sale of our composites site in Luhe, China, where primarily low-margin commodity products were produced for the consumer goods industry. This resulted in a drop in sales of around CHF 8.0 million and a negative deconsolidation effect of CHF -1.8 million. Further charges totalling CHF -2.3 million were caused by restructuring expenses in connection with the partial transfer of our composites production from France to Germany and the UK.

In all continuing operations, the sales level remained steady or, in some cases, rose slightly.

The overall market for composites is highly fragmented in general, with many niche applications and special solutions. Most market segments posted modest sales growth in line with the market trend. This applies in particular to renewable energies (wind), rail transport, power transmission systems, ballistics, the aviation industry and low-voltage electric drives. The strongest increase was achieved by solutions for the automotive industry and orders for ballistic applications. However, business involving power generation products (turbo and hydro generators) saw a marked decline.

From a regional perspective, business in EMEA again reported moderately positive growth of 2.3% in 2018. This was mainly due to expansion in the automotive, power transmission systems and ballistics segments.

The sales trend in North America was negatively affected by the transfer of production from the New Haven site to Schenectady and putting new, state-of-the-art production facilities into operation. In addition, there were external delays to the awarding of new contracts from the security and defence sector. Although these restrictions have largely been eliminated by the end of the year, it was no longer possible to make up all of the deficit.

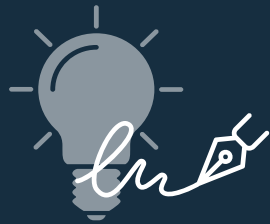
By contrast, we generated double-digit growth in Asia. Our business involving composites for high-voltage applications and generators grew once again in this region. Demand for our system solutions for the electrical and thermal insulation of car batteries also rose.

### Von Roll Composites: key figures

in CHF 1,000	2018	2017
Net sales	91,739	103,570
Gross margin	17,124	19,684
- In %	18.7 %	19.0 %
EBITDA	2,712	7,103
EBIT	-140	3,064
Thereof one-time effects	-4,100	-
Number of employees (FTE)	366	598



## HIGHLIGHTS



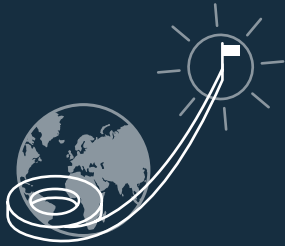
**1823**

The company was founded



**14**

production sites  
worldwide



**149 million**

kilometres of mica tape  
have been produced at Von Roll  
since the beginning – a journey from  
the Earth to the Sun



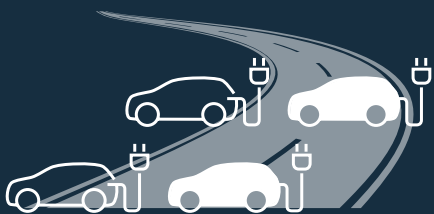
**828 m**

Burj Khalifa  
Power cables in the world's  
tallest buildings are protected  
by our thermal insulation



**574.8 km/h**

The world's fastest trains run  
with our insulation systems in their  
drives



**The latest  
electric vehicles**

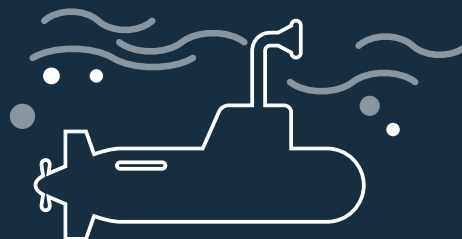
drive with our products



**vonRoll** Institute  
for High-Voltage Insulation

**2018**

The new eDrive laboratory for  
electric car engines was opened



**11,000 m**

Our resins dive  
to the deepest places in the world

## Von Roll Insulation

The Insulation segment comprises solutions for the thermal, electrical and mechanical insulation of rotating machines and numerous other high- and low-voltage electrical applications. Our core competence lies not only in manufacturing, but also in the development and technical design of all essential components. These include surface and liquid insulation materials developed in-house as well as wire products, which together form a highly integrated insulation system tailor-made for the specific application.

Our target markets and customers are primarily manufacturers of generators, electric drives, a wide variety of electronic applications, transformers and power transmission grids as well as fire-resistant cables. Von Roll is considered a global pioneer and leader in electrical insulation systems technology and also participates in a large number of interdisciplinary research projects.

### Innovation and highlights 2018

With its “Cablosam” product range, Von Roll has been one of the leading providers of fire-resistant tapes, which are needed for the thermal insulation of fire-resistant cables, for over 30 years. In line with increasingly stringent fire protection requirements, there is a noticeable growth in the number of applications worldwide, and in the overall demand, for fire-resistant cables.

One focus of our internal research in the financial year 2018 was the improvement of our tried-and-tested fire protection tapes. As a result, we are

already introducing a new generation of Cablosam products in the first quarter of 2019, which provide greater thermal protection and improved usability as well as excellent value for money. We are confident that we will win new market share with this range.

In India, we significantly increased the added value of our wire production. Working closely with our experts in Breitenbach, our Indian locations now also offer the technical design and production of complete coil components with great success on the market.

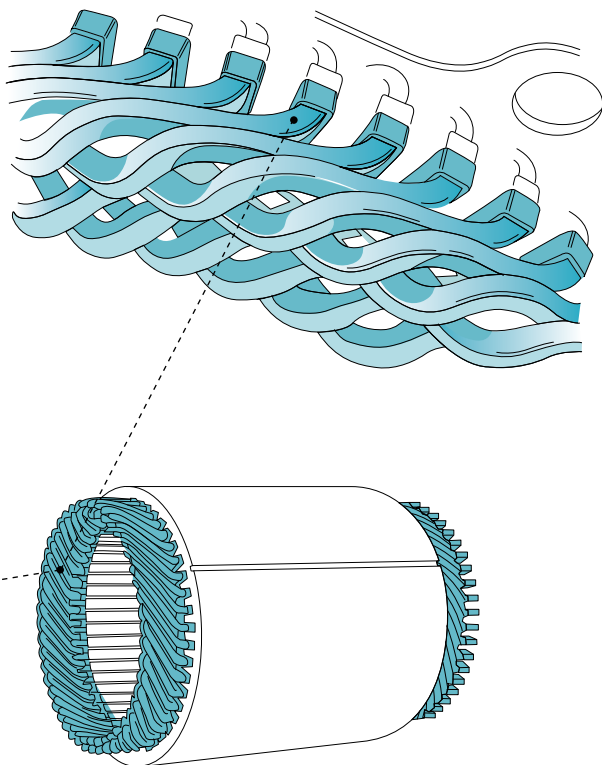
To meet the rapidly rising demand in e-mobility applications, we further expanded our existing product range of liquid insulation materials (resins) in particular. Already in the first stage we could win major orders from well-known manufacturers. Our success was not only due to the essential properties of the resin, but also the perfect match of the chemical formulation with all the other components including mica tapes, wires and other insulation materials.

We have pooled Von Roll's special expertise in designing complete insulation systems at the Von Roll Institute. The new eDrive test laboratory, opened in summer 2018, researches the specific requirements for electric drives for electric vehicles and received a great response from customers in the automotive sector. The laboratory is currently already working on extensive test series and preliminary projects with several automotive manufacturers.





Together with customers, our eDrive laboratory is developing a new generation of electric motors



The efficiency and resilience requirements placed on electric drives in electric vehicles are constantly growing. The automotive sector is also looking for drive concepts that are both cost-effective and suitable for mass production. The electrical insulation system plays a key role in addressing these challenges, not only by ensuring the durability of the electric motor under intense loads, but also by significantly influencing its energy efficiency and production costs.

One option, which is currently attracting considerable attention both from scientists and in practical applications, is known as hairpin technology. It offers a number of notable benefits for constructing electric drive motors. First, the stator can be formed precisely and, when combined with an increased copper fill level, greater power can be achieved with a compact design. The manufacture of hairpin windings can also be extensively automated and is therefore particularly suited to the cost-effective mass production of electric drives.

At the new eDrive laboratory in Breitenbach, Von Roll tests and researches various hairpin designs, including the use of highly specialised stranded wires. Activities at the eDrive laboratory also focus on optimising all the insulation materials that will be required for the tougher demands placed on electric drives in the next generation of electric vehicles.

The many other test methods on offer include vibration tests, the measurement of partial discharge under inverter conditions, ageing tests under stress at high temperatures, service life tests under pulses of high-frequency voltage as well as extensive mechanical tests.

## Von Roll Composites

The Composites segment comprises composites which are sold as semi-finished goods, prepregs, tubes or machined parts. The key factor for each application is the ideal interplay between mechanical, thermal and electrical properties.

The fibre-reinforced plastics developed and produced at Von Roll are used in power generation, power transmission and grid storage systems. Von Roll also offers specific solutions for a wide range of industrial applications such as industrial presses and ovens, the consumer goods, electronics, paper and textile industries and hydraulic applications and ball bearings.

In the coming months, we will launch various new products for the automotive and aviation industry in order to participate more strongly in the existing potential of these markets in future.

### Innovation and highlights 2018

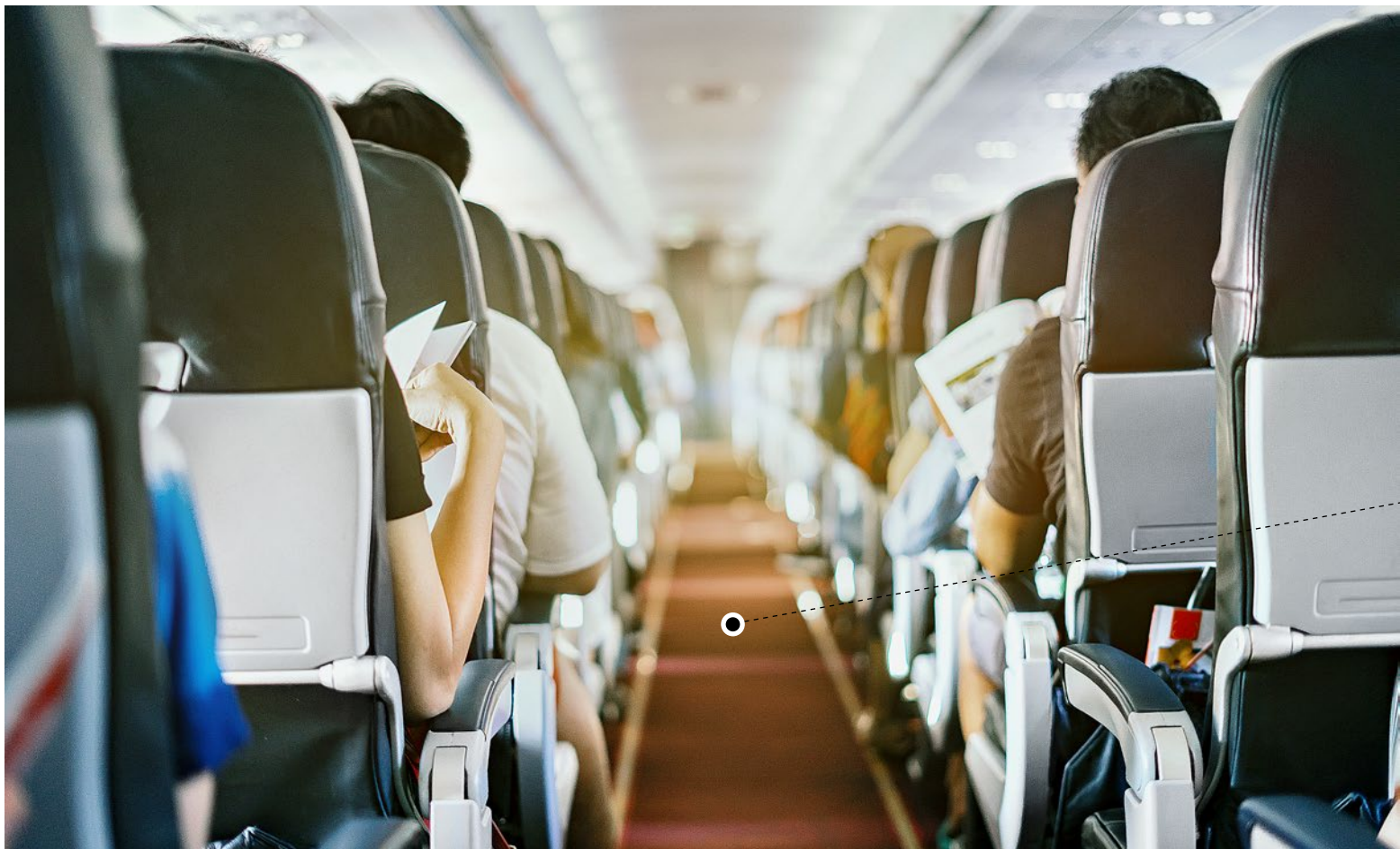
In 2018, the Composites research department started to completely redevelop some of our most important core products and to adapt them according to the changing needs of the markets and customers.

For example, our composite sheets for manufacturers of soldering frames and printed circuits were significantly improved with regard to all process-relevant properties. These products are now more resistant to chemicals and have better electrically dissipative properties and greater mechanical stability at high temperatures. The first major orders for important key customers in Asia and the USA have already been completed.

Our research department is also working on opening up the aviation and aerospace industry market more effectively with highly innovative solutions. An initial breakthrough has now been achieved with the patent-pending core filler (see illustration).

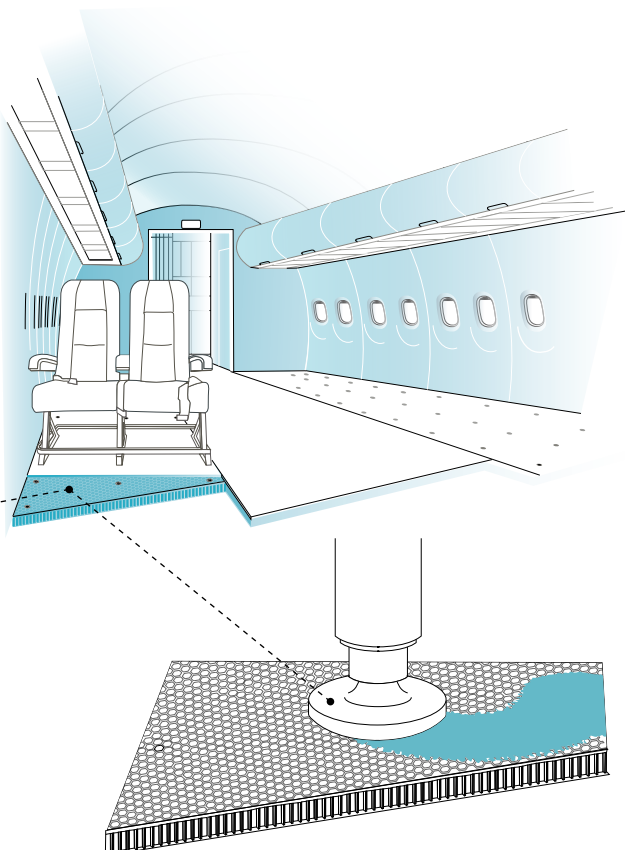
In the first quarter of 2019, Von Roll is set to present a further innovation – a new type of plastic material (FST<sup>1</sup> prepreg) for aircraft cabins. Its specific benefits include the fact that it is particularly easy to process and has a low impact on the environment. The new material is halogen and solvent free, has very good mechanical properties and complies with global fire protection standards (FST<sup>1</sup>).

<sup>1</sup> FST = fire, smoke, toxicity





### Innovations for the aviation and aerospace industry with potential for the future



Our research department made significant progress in 2018 with the development of an innovative core filler.

This single-component FST<sup>1</sup> core filler has a low density and combines outstanding mechanical and flame-retardant properties. It also shows high resistance to various harmful substances and is anhydride-free.

As it is better for the environment and easy to process, this component is perfectly suited to reinforcing the honeycomb structures and edges of sandwich panels in aircraft cabins.

The component has improved process capability and long-term stability at room temperature, meaning that it no longer needs to be stored frozen or transported in a costly cold chain. Other work steps that were previously required, such as surfacing, will also no longer be necessary, making the whole process simpler, shorter and more cost-effective for our customers.

The core filler is also odourless and complies more closely with occupational health and safety requirements than conventional products.

<sup>1</sup> FST = Fire, Smoke, Toxicity

# VonRoll

## Worldwide



### PRODUCTION & SALES

- CH Breitenbach
- DE Augsburg
- FR Delle
- FR Meyzieu
- FR Valdoie
- GB Bradford
- IT Trofarello
- BR Currais Novos
- BR Maracanaú
- BR São Paulo
- IN Bangalore
- IN Bhopal
- US Cleveland
- US Schenectady
- CN Shanghai
- SG Singapore
- RU Moscow

The Von Roll distribution network and service locations extends across the globe and is supplemented by representatives and authorised distributors in the countries where we do not have our own organisation. Our specialised production and development centres are strategically located in the major regional markets.

- Electrical Insulation Materials
- Resins
- Composites
- Wires

# Corporate Governance

Von Roll Holding AG is organised in accordance with Swiss law and complies with the current Directive on Information relating to Corporate Governance of SIX Swiss Exchange Regulation AG dated 20 March 2018. Unless specified otherwise, the disclosures are made as at the balance sheet date of 31 December 2018.

## 1. Group structure and shareholders

### 1.1 Group structure

#### 1.1.1 Operating group structure

The operating activities of Von Roll Holding AG and its subsidiaries are divided into the Insulation and Composites segments. Further details are available in the “Financial reporting” section (see Note 5 on page 56 f. of this Annual Report).

#### 1.1.2 Listed companies

Since 11 August 1987, Von Roll Holding AG, with its registered office in Breitenbach and its domicile at Passwangstrasse 20, CH-4226 Breitenbach has been listed on the SIX Swiss Exchange (symbol: ROL, security number: 324.535, ISIN: CH0003245351). As of 31 December 2018, it had a market capitalisation of TCHF 470,639 (2017: TCHF 282,476). There are no other listed companies within the scope of consolidation of Von Roll Holding AG.

#### 1.1.3 Non-listed companies

A list of significant unlisted consolidated companies is disclosed in Note 22 of the “Financial reporting” section on page 69 of this Annual Report.

### 1.2 Significant shareholders

As of 20 November 2008, the von Finck group of shareholders (comprising August von Finck, Francine von Finck, August François von Finck, Maximilian von Finck and Maria Theresia von Finck, together with Von Roll Holding AG [treasury shares]) declared a shareholding of 66.75%, which corresponds to 123,334,009 bearer shares (out of a total of 184,778,889 bearer shares issued as of 20 November 2008).

On 17 December 2018, the company declared a purchase position amounting to 3.55% of the share capital registered in the commercial register on 17 December 2018 (7,163,019 treasury shares) and a sale position amounting to 30.33% of the share capital registered in the commercial register on 17 December 2018 (6,105 rights from the 1.25%-convertible bond CHF 61,000,000 2014 – 2020, see page 16 section 2.7.1; 58,650 rights from the 1.00%-convertible bond CHF 150,000,000 2016 – 2022, see page 16 section 2.7.1).

On 18 December 2018, the company then declared a purchase position amounting to 2.01% of the share capital registered in the commercial register on 18 December 2018 (7,167,603 treasury shares) and a sale position amounting to 1.02% of the share capital registered in the commercial register on 18 December 2018 (6,105 rights from the 1.25%-convertible bond CHF 61,000,000 2014 – 2020, see page 16 section 2.7.1; 1,107 rights from the 1.00%-convertible bond CHF 150,000,000 2016 – 2022, see page 16 section 2.7.1).

There were no disclosure notifications regarding shareholdings of other significant shareholders or groups of shareholders in the reporting year.

For details about the disclosure notifications, please refer to the SIX Exchange Regulation website ([www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)).

### 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 ordinary share capital registered in the commercial register has a nominal value of CHF 35,654,480.40 as of 31 December 2018, which corresponds to 356,544,804 fully paid-up bearer shares each with a par value of CHF 0.10. The Articles of Association of Von Roll Holding AG provide for conditional capital of up to CHF 365,077.00, which corresponds to up to 3,650,770 fully paid-up bearer shares each with a par value of CHF 0.10, and authorised capital of up to CHF 2,245,725.80, which corresponds to up to 22,457,258 fully paid-up bearer shares each with a par value of CHF 0.10.

### 2.2 Conditional and authorised capital

The Annual General Meeting on 24 April 2018 increased the existing conditional capital of up to CHF 7,539,977.80 as at 31 December 2017 by CHF 2,548,449.90 to up to CHF 10,088,427.70. As some of the 1.25%-convertible bond CHF 61,000,000 2014 – 2020 and the 1.00%-convertible bond CHF 150,000,000 2016 – 2022 (see page 16 section 2.7.1) was converted, the amount of conditional capital was reduced by CHF 9,723,350.70 to up to CHF 365,077.00 in the reporting year. The Board of Directors is thus entitled to increase the company's share capital by up to CHF 365,077.00 by issuing a maximum of 3,650,770 fully paid-up bearer shares each with a par value of CHF 0.10 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 resolution 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 (see Section ("Abschnitt") 2 Article 5a of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/)).

The existing authorised capital as at 31 December 2017 amounting to up to CHF 9,238,944.40 expired on 13 April 2018. The Annual General Meeting on 24 April 2018 created new authorised capital of up to CHF 8,000,000.00. As some of the 1.00%-convertible bond CHF 150,000,000 2016 – 2022 (see page 16 section 2.7.1) was converted, the amount of authorised capital was then reduced by CHF 5,754,274.20 to up to CHF 2,245,725.80. This entitles the Board of Directors to increase the company's share capital by up to CHF 2,245,725.80 by issuing a maximum of 22,457,258 fully paid-up bearer shares each with a par value of CHF 0.10 at any time until 24 April 2020. 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 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 (see Section ("Abschnitt") 2 Article 5b of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/)).

Under the conditional capital, up to CHF 365,077.00 can be issued by the Board of Directors, which equates to 1.02% of the existing share capital of CHF 35,654,480.40. Under the authorised capital, up to CHF 2,245,725.80 can be issued by the Board of Directors, which equates to 6.3% of the existing share capital of CHF 35,654,480.40.

### 2.3 Changes in capital

As some of the 1.25%-convertible bond CHF 61,000,000 2014 – 2020 and the 1.00%-convertible bond CHF 150,000,000 2016 – 2022 (see page 16 section 2.7.1) was converted, the share capital was increased by a nominal value of CHF 15,477,624.90 from CHF 20,176,855.50 to CHF 35,654,480.40 in the reporting year.



The existing conditional capital of up to CHF 7,539,977.80 as at 31 December 2017 was increased by the Annual General Meeting on 24 April 2018 by CHF 2,548,449.90 to up to CHF 10,088,427.70. As some of the 1.25%-convertible bond CHF 61,000,000 2014 – 2020 and the 1.00%-convertible bond CHF 150,000,000 2016 – 2022 (see page 16 section 2.7.1) was converted, the amount of conditional capital was reduced by CHF 9,723,350.70 to up to CHF 365,077.00 in the reporting year.

The existing authorised capital as at 31 December 2017 amounting to up to CHF 9,238,944.40 expired on 13 April 2018. The Annual General Meeting on 24 April 2018 created new authorised capital of up to CHF 8,000,000.00. As some of the 1.00%-convertible bond CHF 150,000,000 2016 – 2022 (see page 16 section 2.7.1) was converted, the amount of authorised capital was then reduced by CHF 5,754,274.20 to up to CHF 2,245,725.80.

The changes in share capital in the last three reporting years are shown in the table below:

Type of capital (in CHF)/reporting date	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Ordinary capital (issued capital)	35,654,480.40	20,176,855.50 <sup>1</sup>	20,144,555.50 <sup>2</sup>	18,477,888.90
Ordinary capital (capital registered in the commercial register)	35,654,480.40	20,144,555.50	18,477,888.90	18,477,888.90
Conditional capital	365,077.00	7,539,977.80	7,572,277.80	300,000.00
Authorised capital	2,245,725.80	9,238,944.40	9,238,944.40	0.00

<sup>1</sup> The issued capital was registered in the commercial register as at 29 January 2018.

<sup>2</sup> The issued capital was registered in the commercial register as at 30 March 2017.

## 2.4 Shares and participation certificates

As of 31 December 2018, 356,544,804 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. Each shareholder has the statutory membership and proprietary rights, in particular the entitlement to receive dividends and voting rights. There were no participation certificates outstanding.

## 2.5 Dividend-rights certificates

Von Roll Holding AG has not issued any dividend-rights 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

#### 1.00%-convertible bonds CHF 150,000,000 2016 – 2022

On 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, as far as necessary, from the authorised share capital.

The conversion price is set at CHF 1.00. The offering and redemption prices are set at 100% each. The convertible bonds carry a coupon of 1.00% per annum, payable annually in arrears. Existing shareholders have been granted 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 had 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 can have a dilutive effect on 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 bearer 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 29 on page 74 ff. and Note 8 on page 93 f.).

A nominal value of CHF 1,107,000 of these convertible bonds was still outstanding on 31 December 2018. If this remaining outstanding share of the convertible bonds were also to be fully converted, the share capital would increase by CHF 110,700, which equates to 0.31% of the existing share capital as at 31 December 2018.

#### 1.25%-convertible bonds CHF 61,000,000 2014 – 2020

On 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 will be made available through the provision of new shares from the conditional capital.

The conversion price is set at CHF 2.40. The offering and redemption prices are set at 100% each. The convertible bonds will carry a coupon of 1.25% per annum, payable annually in arrears. Existing shareholders have been granted 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 had 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 can have a dilutive effect on 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 bearer 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 29 on page 74 ff. and Note 8 on page 94).

A nominal value of CHF 6,105,000 of these convertible bonds was still outstanding on 31 December 2018. If this remaining outstanding share of the bonds were also to be fully converted, the share capital would increase by CHF 254,375, which equates to 0.71% of the existing share capital as at 31 December 2018.

#### Share capital increase if the convertible bonds were to be fully converted

If the two aforementioned convertible bonds were to be fully converted, the share capital would increase by CHF 17,541,687.00 (subject to any adjustments due to the dilution protection clauses), which equates to 94.93% of the share capital of 184,778,889 bearer shares existing before the aforementioned convertible bonds were issued.

### 2.7.2 Options

Von Roll Holding AG has not issued any options.

## 3. Board of Directors

### 3.1 Members of the Board of Directors

As of 31 December 2018, 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 and vested interests

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; Chairman of the Board of Directors of SGS SA, Geneva, Switzerland; Chairman of the Board of Directors of Hardstone Services SA, Geneva, 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 Lamba Holdings Ltd., Luxembourg

**Guido Egli**

Vice-Chairman  
Swiss national

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

**Professional career**

1977 – 1996:

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 since then

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 and vested interests**

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; Vice-Chairman of the Board of Directors of Provins société coopérative, Sion, Switzerland; Member of the Board of Directors of Gamag Management AG, Rothenburg, Switzerland; Member of the Board of Directors of Valais Mundi SA, Ayent, Switzerland; Member of the Advisory Board of J. Bauer GmbH & Co. KG, Wasserburg, Germany

**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 and vested interests**

Member of the Management Board of Nymphenburg Immobilien AG, Munich, Germany; Member of the Management Board of Amira Verwaltungen AG, Munich, Germany; Supervisory Board Chairman of Custodia Holding SE (formerly: 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 Fides-Secur 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 Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany

**Other activities and vested interests**

Vice-Chairman of the Supervisory Board of Nymphenburg Immobilien AG, Munich, Germany; 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, Harsewinkel, Germany; Chairman of the Supervisory Board of Substantia 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 and vested interests**

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 SE (formerly: Custodia Holding AG), Munich, Germany; Member of the Supervisory Board of Staatliche Mineralbrunnen AG, Bad Brückenau, Germany

**Dr. oec. Christian Hennerkes**

Delegate and  
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 and vested interests**

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

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 vested interests

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

### 3.3 Number of permitted activities

The number of external offices is stipulated as follows with binding effect in Section (“Abschnitt”) 3 B. Article 24 Paragraphs 1 and 3 of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/):

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

The Chairman of the Board of Directors, the other Members of the Board of Directors and the Members of the People & Remuneration Committee are each elected by the Annual General Meeting for a one-year term, which runs until the end of the next Annual General Meeting. Re-election is permitted without restrictions. There is no age limit.

The Vice-Chairman of the Board of Directors and Members of the Audit Committee are elected by the full Board of Directors. The Audit Committee and People & Remuneration Committee constitute themselves.

### 3.5 Internal organisation

The organisation of the Board of Directors and its committees is detailed in the organisational regulations. These can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/rules-of-organization/](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 Allocation of tasks within the Board of Directors

The individual functions (Chairman, Vice-Chairman and Delegate) are listed in section 3.1.

The Chairman’s responsibilities and competences particularly include setting and preparing the agenda items for the General Meeting and (together with the Delegate of the Board of Directors/CEO) for meetings of the Board of Directors, convening meetings of the Board of Directors, chairing the General Meeting and meetings of the Board of Directors, ordering and monitoring the implementation of resolutions of the General Meeting, monitoring compliance with resolutions of the meetings of the Board of Directors and 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, submitting motions to the Board of Directors for appointing and dismissing the CEO, CFO and any other Members of the Executive Management, observing ad hoc notification requirements in collaboration with the Executive Management and making executive resolutions 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 decides on all matters that are not inalienable responsibilities of the Board of Directors in accordance with Article 716a of the Swiss Code of Obligations (CO) or Article 22 of the Articles of Association (which can be viewed under Section (“Abschnitt”) 3 B. Article 22 at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/)) and do not fall under the decision-making power of the Board of Directors (see page 23 section 3.6). He helps the Chairman to prepare for the meetings of the Board of Directors. He also makes resolutions 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 full Board of Directors. The Audit Committee comprises Members of the Board of Directors Gerd Peskes (Chairman), Gerd Amtstätter and Dr. Peter Kalantzis.

#### People & Remuneration Committee

The People & 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 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 People & Remuneration Committee can call in external specialists. The activities of the People & Remuneration Committee do not release the Board of Directors from its legal obligations and the decision-making power remains with the full Board of Directors. The People & 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 is quorate when the majority of its members are present. If this quorum relating to attendance is not reached, the Board of Directors shall be quorate provided that all absent members consent to the relevant motion in writing after the meeting. No quorum relating to attendance is required for the Board of Directors to make resolutions on a capital increase report or for resolutions requiring a public deed. The Board of Directors makes its resolutions and decides elections with an absolute majority of the votes cast. The Chairman participates in the vote and has the casting vote in the event of a tie.

Resolutions may also be made by circular letter insofar as no member requests an oral debate. If an oral debate is requested, the resolution shall not be made in writing. All Members of the Board of Directors are to be asked for their opinion if a resolution is made by circular letter. Resolutions of this kind require the absolute majority of all Members of the Board of Directors and are to be included in the minutes of the next meeting. At least two members must be present for the Audit Committee and People & Remuneration Committee to make resolutions. The Chairman has the casting vote.

The CFO participated in an advisory capacity without voting rights in meetings of the Board of Directors for the agenda items relating to business activities. The Delegate of the Board of Directors/CEO and CFO regularly attended meetings of the Audit Committee and People & Remuneration Committee in an advisory capacity without voting rights. An external consultant was called in for one meeting of the Board of Directors.

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 Chairmen of the committees report to the Board of Directors on the committee's activities. Members of the Board of Directors are provided with minutes of committee meetings. The Chairman convenes the Board of Directors around every two months as a basic principle, or 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 twelve times during the reporting year. Meetings lasted 21 hours 35 minutes in total, which is an average of around 1 hour 48 minutes. One executive resolution and two resolutions by circular letter were also made. The Audit Committee and People & 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 4 hours in total, which is an average of 1 hour 20 minutes. The People & Remuneration Committee met three times in the reporting year. Meetings lasted 3 hours 15 minutes in total, which is an average of 1 hour 5 minutes.



### 3.6 Definition of areas of responsibility

The areas of responsibility and nature of cooperation between the Board of Directors and the Executive Management are stipulated in the organisational regulations in particular. These can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/rules-of-organization/](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. However, the Board of Directors makes decisions regarding the following in particular:

- » Inalienable responsibilities in accordance with Article 716a of the Swiss Code of Obligations (CO) and Article 22 of the Articles of Association ([www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/Section \("Abschnitt"\) 3 B.](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/Section%20(Abschnitt)%203%20B.))
- » Group strategy, medium-term plan and budget
- » Investments in companies and involvement in joint ventures
- » Partnership and licensing agreements with financial commitments exceeding CHF 5 million
- » Acquisition and divestment of companies
- » Group-internal restructuring
- » Human resources principles
- » Basic principles of salary and bonus systems
- » Introduction of and major changes to pension scheme
- » Purchase and sale of real estate worth over CHF 2 million
- » Real estate rental agreements with a term of more than five years or costs over CHF 5 million

### 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 Delegate of the Board of Directors/CEO and CFO report regularly to the meetings of the Board of Directors on business activities, the main transactions and all matters relevant to the Group. The Delegate of the Board of Directors/CEO and CFO regularly attend the Audit Committee's and People & Remuneration Committee's meetings. Site visits complete the information received. Each year, based on the proposals of the Executive Management, the Board of Directors dis-

cusses 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.

In the reporting year, the Executive Management established an efficient management concept based on key figures to monitor and manage the individual production sites on an ongoing basis. In monthly performance reviews of all Group companies, the ongoing business development and the risks and opportunities arising from business activities are validated. A business intelligence solution introduced in the reporting year supports the supply of management-related company data from across the Group to the management.

The Board of Directors and Executive Management attach a great deal of importance to dealing carefully with risk and operate a system for monitoring and managing the risks associated with business activities. This process includes identifying, analysing and managing risk, as well as risk reporting.

The Von Roll Group's compliance programme manages compliance with laws, regulations and guidelines for proper company management and introduces any activities required for preventing breaches and identifying them at an early stage.

## 4. Executive Management

### 4.1 Members of the Executive Management

As of 31 December 2018, the Executive Management of Von Roll Holding AG comprised the following members:

Name	Nationality	Born	Term of office	Function
Dr. Christian Hennerkes	D	1971	since 2016	Delegate of the Board of Directors and CEO
Artur Lust	D	1982	since 2017	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 and vested interests

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

#### Artur Lust

Chief Financial Officer (CFO), German national

Degree in business administration from the University of Applied Sciences for Economics and Management, Essen, Germany  
Certified accountant (Chamber of Commerce)

#### Professional career

2004 – 2012:

Various management positions in family-owned medium-sized companies and large listed groups in the consumer and industrial goods industry, most recently as Company Controlling Manager at Ericsson GmbH, Düsseldorf, Germany

2012 – 2015:

Commercial Director and Authorised Officer at Menerga GmbH, Mülheim an der Ruhr, Germany

2016 – 2017:

Head of Corporate Development of Von Roll Management AG, Breitenbach, Switzerland

Since 1 October 2017:

Chief Financial Officer (CFO) of Von Roll Holding AG, Breitenbach, Switzerland

#### Other activities and vested interests

He has no other activities or interests.

#### 4.2 Other activities and vested interests

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

#### 4.3 Number of permitted activities

The number of external offices is stipulated as follows with binding effect in Section (“Abschnitt”) 3 B. Article 24 Paragraphs 2 and 3 of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/):

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, shareholdings and loans

#### 5.1 Content and method of determining the remuneration and the shareholding programmes

The relevant information can be found in section 3.5.2 (under “People & Remuneration Committee”) on page 22 and in sections 1.4 to 1.6 of the Remuneration Report (see page 28 ff.). The following is also stipulated: The maximum amounts of remuneration for the Board of Directors and Executive Management to be approved by the Annual General Meeting are discussed by the People & Remuneration Committee in advance and proposed to the Annual General Meeting for approval by the Board of Directors with the participation and input of all Members of the Board of Directors and the Executive Management. The actual amount to be paid to the Members of the

Board of Directors is approved by the Board of Directors with the participation and input of all Members of the Board of Directors. The amount to be paid to the Members of the Executive Management is agreed in the employment contract and is subject to annual review. The decisions to determine these remunerations are discretionary decisions, which is why no explanation is given in this regard. The Delegate of the Board of Directors/CEO only receives remuneration in his function as CEO, not as a Member of the Board of Directors. The remuneration of the Executive Management increased by 10% in the reporting year due to changes in exchange rates.

#### 5.2 Information on issuers subject to the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (“VegüV”)

The regulations in the Articles of Association concerning the principles of performance-related remuneration, the allocation of equity securities and conversion rights and options, the additional amount for the remuneration of Members of the Executive Management appointed following the vote of the Annual General Meeting on remuneration, and the vote of the Annual General Meeting on remuneration can be found in Section (“Abschnitt”) 4 Article 30 ff. of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/), with the exception of the regulations on advances, loans and pension benefits granted to Members of the Board of Directors and Executive Management, which have not been included in the Articles of Association.

### 6. Shareholder’s participation rights

#### 6.1 Voting rights 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 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 (see page 26 section 6.2). Each share carries one vote at the General Meeting.

Each shareholder can be represented at the 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 Annual General Meeting. Voting representatives may be re-elected.

### 6.2 Quorums required by the Articles of Association

In accordance with Art. 703 of the Swiss Code of Obligations (CO), resolutions of the Annual General Meeting are to be passed with an absolute majority of the votes represented as a basic principle. The resolutions cited in Art. 704 CO and Section (“Abschnitt”) 3 Article 17 of the Articles of Association are exceptions to this rule as they require at least two thirds of the votes represented and an absolute majority of the nominal value of the shares represented. The Articles of Association can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/).

### 6.3 Convocation of the General Meeting

The Articles of Association do not contain any rules that deviate from Swiss law with regard to the convening of the General Meeting. The Annual 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 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 items

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. The agenda item must be requested at least 40 days before the day of the meeting in a submission signed by the relevant shareholders specifying the item for discussion and the motions submitted.

### 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. Changes of control and defence measures

### 7.1 Duty to make a public offer

In accordance with Article 4a (“Opting out”) of the Articles of Association (which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/) Section (“Abschnitt”) 1), parties purchasing shares in the company are exempt from the obligation to make a public offer to purchase in accordance with Art. 135 of the Swiss Federal Act of 19 June 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading.

### 7.2 Change of control clauses

There are no 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

Deloitte AG, Zurich, was registered in the commercial register as the auditor for Von Roll Holding AG on 11 June 2004.

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

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 CO) is not limited by the Articles of Association. Mr. Patrick Fawer was appointed auditor in charge for the third year.

### 8.2 Auditing fee

The fee paid to the auditor (including the auditors belonging to the network of the statutory auditor) for the audit of the 2018 financial statements was TCHF 395 in total (2017: TCHF 474).

### 8.3 Additional fees

During the reporting period, additional fees of around TCHF 60 (2017: TCHF 55) were paid for additional tax, compliance and other services.

### 8.4 Information instruments pertaining to the external audit

The auditor submits a written report to the Audit Committee of the Board of Directors for each scheduled meeting about relevant audit activities and other important processes in connection with the company. Representatives of the auditor participate in individual agenda items of the meetings of the Audit Committee, explain their activities and take questions. The auditor attended two meetings of the Audit Committee in the reporting year. Further discussions were also held between the auditor and the Executive Management.

The Audit Committee of the Board of Directors oversees the activities of the auditors. It assesses the performance, remuneration and independence of the external auditor annually. The Board of Directors proposes the election of the 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.

## 9. Information policy

Von Roll Holding AG pursues a policy of proactive, transparent and timely information. Notifications to shareholders of Von Roll Holding AG are published in the Swiss Official Gazette of Commerce. Shareholders also receive information about all important business through the Annual Report, Semi-annual Report and media releases. Von Roll Holding AG publishes events that are relevant to the stock quotation under the disclosure obligation (ad hoc notifications) of SIX Swiss Exchange.

### Agenda 2019

#### 13 March 2019:

Publication of results for the year 2018

#### 3 May 2019:

196th Annual General Meeting in Lucerne

#### 21 August 2019:

Publication of results for the first half of 2019

All regularly updated information is also available on the Internet at [www.vonrollgroup.com/en/](http://www.vonrollgroup.com/en/) under Media & Investor Relations. Upon request, shareholders can receive media releases from the press office by e-mail. These can be requested from Von Roll Holding AG, Passwangstrasse 20, CH-4226 Breitenbach, phone +41 (0)61 785 52 36, fax +41 (0)61 785 58 92 or e-mail [investor@vonroll.com](mailto:investor@vonroll.com).

# Remuneration Report 2018

## 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. It also includes details of remuneration policy and the remuneration paid to the above bodies in the financial year 2018.

Unless indicated otherwise, all information provided in this report relates to the financial year that ended on 31 December 2018. 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 People & Remuneration Committee

The People & Remuneration Committee comprises three Members of the Board of Directors. Each Member of the People & 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 People & Remuneration Committee as its chairman and determines the committee’s duties and powers. The People & 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. The People & Remuneration Committee can make suggestions and recommendations to the Board of Directors regarding other remuneration issues. The People & Remuneration Committee can call in external specialists.

The People & Remuneration Committee is made up of Gerd Amtstätter (Chairman of the People & Remuneration Committee), Guido Egli and August François von Finck, all of whom are Members of the Board of Directors. The Delegate of the Board of Directors/CEO and CFO regularly attend People & Remuneration Committee meetings in an advisory capacity without voting rights. The People & Remuneration Committee met three times during the reporting year. The Chairman of the People & Remuneration Committee reports to the Board of Directors with regard to 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 People & 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. It may also 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 a 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 remuneration for their activities. Moreover, their expenses are reimbursed. Reimbursed expenses, including lump-sum expenses, are not deemed to be remuneration.

## **1.6 Approval procedure**

### **1.6.1 General information**

The Annual General Meeting approves 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 the financial year 2018

### 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 the financial year 2018:

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	-	-	7	151
Gerd Amtstätter	Member	94	-	-	-	94
Gerd Peskes	Member	94	-	-	-	94
August François von Finck	Member	94	-	-	6	100
Dr. Christian Hennerkes	Delegate	-	-	-	-	-
<b>Total</b>		<b>720</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>747</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 (old age and survivors' insurance/unemployment insurance) and contributions to the pension fund and management insurance.

The following remuneration was paid to Members of the Board of Directors for the previous year, 2017:

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	-	-	7	151
Gerd Amtstätter	Member	94	-	-	-	94
Gerd Peskes	Member	94	-	-	-	94
August François von Finck	Member	94	-	-	6	100
Dr. Christian Hennerkes	Delegate	-	-	-	-	-
<b>Total</b>		<b>720</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>747</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 (old age and survivors' insurance/unemployment insurance) and contributions to 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 2017 or 2018 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 the financial years 2017 and 2018.

## 2.2 Remuneration of the Executive Management (audited)

### 2.2.1 Short-term remuneration

The Members of the Executive Management received remuneration totalling CHF 1.3 million in 2018 (2017: CHF 1.5 million). This sum comprises fixed basic salaries of CHF 1.1 million (2017: CHF 1.2 million), short-term performance bonuses of CHF 0 million (2017: CHF 0 million) and social security contributions of CHF 0.2 million (2017: CHF 0.2 million).

The following remuneration was paid to Members of the Executive Management for the financial year 2018:

in CHF 1,000	Function	Basic salary <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Dr. Christian Hennerkes	CEO	660	–	19	115	794
Artur Lust	CFO	440	–	12	73	525
<b>Total</b>		<b>1,100</b>	<b>–</b>	<b>31</b>	<b>188</b>	<b>1,319</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 24) and child allowances (TCHF 7).

<sup>3</sup> Statutory charges (old age and survivors' insurance/unemployment insurance) and contributions to the pension fund and management insurance.

The following remuneration was paid to Members of the Executive Management for the previous year, 2017:

in CHF 1,000	Function	Basic salary <sup>1</sup>	Variable remuneration	Other remuneration <sup>2</sup>	Pension benefits <sup>3</sup>	Total
Dr. Christian Hennerkes	CEO	600	–	24	108	732
Artur Lust	CFO	100 <sup>4</sup>	–	3	17	120
Stephan Kellmann	CFO (left the Executive Management in September 2017)	490	–	15	111	616
<b>Total</b>		<b>1,190</b>	<b>–</b>	<b>42</b>	<b>236</b>	<b>1,468</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 21) and child allowances (TCHF 21).

<sup>3</sup> Statutory charges (old age and survivors' insurance/unemployment insurance) and contributions to the pension fund and management insurance.

<sup>4</sup> Basic salary for 2017 given pro rata for the period from October to December 2017.

### 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 2017 or 2018 for services provided to Von Roll.

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

In financial year 2018, compensation was paid to former Members of the Executive Management in the amount of CHF 0.3 million (2017: CHF 1 million). This is the total remuneration due until the end of the contractual term in the wake of terminating the contract. This sum comprises fixed basic salaries of CHF 0.2 million (2017: CHF 0.8 million), short-term performance bonuses of CHF 0 million (2017: CHF 0 million) and social security contributions of CHF 0.1 million (2017: CHF 0.2 million).

No compensation was due to former Members of the Board of Directors in the financial years 2017 and 2018.

## 2.4 Loans (audited)

### 2.4.1 Board of Directors

No Members of the Board of Directors were granted loans in the financial years 2017 and 2018. No loans were outstanding at the end of 2017 and 2018.

### 2.4.2 Executive Management

No Members of the Executive Management were granted any loans in the financial years 2017 and 2018. No loans were outstanding at the end of 2017 and 2018.

### 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 years 2017 and 2018. 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 the financial years 2017 and 2018. In addition, no related parties were granted any loans not on standard market terms. 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	2018	2017
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	46,328,166	23,800,000
Dr. Christian Hennerkes	3,600,000	3,600,000
<b>Total</b>	<b>50,397,233</b>	<b>27,869,067</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	2018	2017
Dr. Christian Hennerkes, CEO	3,600,000	3,600,000
Artur Lust, CFO	2,400,000	2,400,000
<b>Total</b>	<b>6,000,000</b>	<b>6,000,000</b>

## 2.7 Convertible bonds

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

No convertible bonds of Von Roll Holding AG were held by Members of the Board of Directors at the end of the reporting year 2018. Members of the Board of Directors held 27,294 convertible bonds of Von Roll Holding AG in the previous 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 2017 and 2018.

## Report of the statutory auditor

To the general meeting of  
VON ROLL HOLDING AG, BREITENBACH

### Report of the statutory auditor in relation to the remuneration report

We have audited the remuneration report dated 6 March 2019 of Von Roll Holding AG, pages 31 – 33, for the year ended 31 December 2018.

#### Responsibility of the Board of Directors

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Von Roll Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

DELOITTE AG



Patrick Fawer  
Licensed Audit Expert  
Auditor in Charge



Thomas Dettwiler  
Licensed Audit Expert

Zurich, 6 March 2019

# Financial Reporting

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## Consolidated statement of comprehensive income for the financial year 2018

in CHF 1,000	Note	2018	2017
<b>Net sales</b>	4	<b>321,387</b>	<b>332,357</b>
Cost of goods sold	6	-266,124	-273,999
<b>Gross profit</b>		<b>55,263</b>	<b>58,358</b>
Research and development expense	6	-7,302	-5,889
Sales and distribution expense	6	-16,602	-17,071
Administrative expense	6	-28,022	-33,828
Other operating income	9	3,694	2,820
Other operating expense	10	-4,131	-882
Thereof restructuring expense	12	-2,275	-
Income from investment property	11	1,458	967
<b>EBIT</b>		<b>4,358</b>	<b>4,475</b>
Financial income	13	422	1,828
Financial expense	14	-8,360	-7,482
<b>Result before tax</b>		<b>-3,580</b>	<b>-1,179</b>
Income tax	15	-5,681	-371
<b>Result from continuing operations</b>		<b>-9,261</b>	<b>-1,550</b>
Result from discontinued operations	2.2	-1,451	-3,221
<b>Net income for the period</b>		<b>-10,712</b>	<b>-4,771</b>
<b>Net income attributable to:</b>			
Owners of the parent		-10,686	-4,838
Non-controlling interests		-26	67
<b>Net income for the period</b>		<b>-10,712</b>	<b>-4,771</b>
<b>Earnings per share</b>			
Weighted average number of shares outstanding	16	200,295,546	194,452,505
Non-diluted earnings per share in CHF	16	-0.053	-0.025
Diluted earnings per share in CHF	16	-0.053	-0.025

## Consolidated statement of comprehensive income for the financial year 2018

in CHF 1,000	Note	2018	2017
<b>Net income for the period</b>		<b>- 10,712</b>	<b>- 4,771</b>
Reclassification of currency translation adjustments due to disposal of foreign operations		393	-
Exchange differences arising on translation of foreign operations		- 6,920	4,135
<b>Other comprehensive income that will be reclassified to income statement</b>		<b>- 6,527</b>	<b>4,135</b>
Remeasurement of defined benefit liabilities and assets	36	- 7,743	16,816
Income tax on remeasurement of defined benefit liabilities and assets		1,615	- 5,984
<b>Other comprehensive income that will not be reclassified to income statement</b>		<b>- 6,128</b>	<b>10,832</b>
<b>Other comprehensive income for the period</b>		<b>- 12,655</b>	<b>14,967</b>
<b>Total comprehensive income for the period</b>		<b>- 23,367</b>	<b>10,196</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		- 23,354	10,160
Non-controlling interests		- 13	36
<b>Total comprehensive income for the period</b>		<b>- 23,367</b>	<b>10,196</b>

## Consolidated balance sheet as at 31 December 2018

### Assets

in CHF 1,000	Note	31.12.2018	in %	31.12.2017	in %
<b>Current assets</b>					
Cash and cash equivalents	27	71,219		45,161	
Trade accounts receivable	25	52,125		58,716	
Inventories	24	46,589		49,422	
Tax receivables		6,067		5,753	
Current financial assets	21	487		1,784	
Other accounts receivable and prepaid expense	26	7,490		8,853	
Assets classified as held for sale	2.2	–		4,578	
<b>Total current assets</b>		<b>183,977</b>	<b>52.5 %</b>	<b>174,267</b>	<b>45.9 %</b>
<b>Non-current assets</b>					
Property, plant and equipment	17	101,813		121,453	
Goodwill	18	10,428		10,968	
Intangible assets	19	11,348		13,065	
Investment property	20	5,503		6,206	
Non-current financial assets	21	2,986		3,173	
Pension plan assets	36	19,501		29,452	
Deferred tax assets	15	14,672		20,977	
<b>Total non-current assets</b>		<b>166,251</b>	<b>47.5 %</b>	<b>205,294</b>	<b>54.1 %</b>
<b>Total assets</b>		<b>350,228</b>	<b>100.0 %</b>	<b>379,561</b>	<b>100.0 %</b>

### Equity and liabilities

in CHF 1,000	Note	31.12.2018	in %	31.12.2017	in %
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade accounts payable	31	16,598		19,145	
Current tax payables		1,723		795	
Current financial liabilities	29	23,056		16,959	
Current provisions	30	5,526		3,974	
Other liabilities and accruals	32	23,522		23,417	
Liabilities classified as held for sale	2.2	–		4,406	
<b>Total current liabilities</b>		<b>70,425</b>	<b>20.1 %</b>	<b>68,696</b>	<b>18.1 %</b>
<b>Non-current liabilities</b>					
Non-current financial liabilities	29	6,907		152,558	
Post-employment benefit obligations	36	26,755		30,177	
Deferred tax liabilities	15	4,248		8,301	
Non-current provisions	30	8,909		12,678	
<b>Total non-current liabilities</b>		<b>46,819</b>	<b>13.4 %</b>	<b>203,714</b>	<b>53.7 %</b>
<b>Total liabilities</b>		<b>117,244</b>	<b>33.5 %</b>	<b>272,410</b>	<b>71.8 %</b>
<b>Equity</b>					
Share capital	28	35,654		20,177	
Group reserves		197,995		87,626	
<b>Equity attributable to owners of the parent company</b>		<b>233,649</b>	<b>66.7 %</b>	<b>107,803</b>	<b>28.4 %</b>
Non-controlling interests		– 665	– 0.2 %	– 652	– 0.2 %
<b>Total equity</b>		<b>232,984</b>	<b>66.5 %</b>	<b>107,151</b>	<b>28.2 %</b>
<b>Total equity and liabilities</b>		<b>350,228</b>	<b>100.0 %</b>	<b>379,561</b>	<b>100.0 %</b>



## Consolidated cash flow statement for the financial year 2018

in CHF 1,000	Note	2018	2017
<b>Operating activities</b>			
Result before tax from continued operations		-3,580	-1,179
Financial result	13/14	7,938	5,654
Depreciation, amortisation and impairment	8	20,759	15,940
<b>Earnings before interest, tax, depreciation and amortisation from continuing operations (EBITDA)</b>		<b>25,117</b>	<b>20,415</b>
Earnings before interest, tax, depreciation and amortisation from discontinued operations (EBITDA)	2.2	-1,229	-2,857
Loss from the disposal and remeasurement of non-current assets	10	1,923	-
Profit from the disposal and remeasurement of non-current assets	9	-150	-1,512
Loss from the disposal of investment property	11	47	-
Changes in non-current provisions		-4,826	-3,313
<b>Cash flow before changes in net working capital</b>		<b>20,882</b>	<b>12,733</b>
Changes in inventories		373	12,831
Changes in accounts receivable		1,160	-4,440
Changes in accounts payable		-5,172	-3,391
Changes in other current assets		3,556	3,931
Changes in current provisions and other current liabilities		2,462	-14,790
<b>Cash generated from operating activities</b>		<b>23,261</b>	<b>6,874</b>
Income tax paid	15	-2,030	-1,567
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>21,231</b>	<b>5,307</b>
<b>Investing activities</b>			
Capital expenditures for property, plant and equipment and intangible assets	17/19	-7,798	-9,258
Cash inflow (+)/cash outflow (-) from disposal	2.1	8,438	6,618
Proceeds from the disposal of non-current assets		150	1,369
Interest received	13	235	243
Cash inflow from non-current loans		-	35
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>1,025</b>	<b>-993</b>
<b>Financing activities</b>			
Cash inflow due to additions of financial liabilities	29	23,056	15,709
Cash outflow due to repayment of financial liabilities	29	-15,736	-7
Purchase of treasury shares		-1,754	-1,155
Sale of treasury shares		1,697	1,235
Interest paid		-2,273	-3,465
Other cash flow from financing activities		-	-399
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>4,990</b>	<b>11,918</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>27,246</b>	<b>16,232</b>
Cash and cash equivalents at 1 January		45,161	29,012
Effects of changes in foreign exchange rates		-1,188	733
Resulting from discontinued operations		-	-816
Change in cash and cash equivalents		27,246	16,232
<b>Cash and cash equivalents at 31 December</b>		<b>71,219</b>	<b>45,161</b>

## Consolidated statement of changes in equity for the financial year 2018

In the reporting year 2018, 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 2018</b>	<b>20,177</b>	<b>459,093</b>	<b>-40,658</b>	<b>-85,153</b>	<b>-245,656</b>	<b>107,803</b>	<b>-652</b>	<b>107,151</b>
Net income for the period	-	-	-	-	-10,686	-10,686	-26	-10,712
Other comprehensive income for the period	-	-	-	-6,540	-6,128	-12,668	13	-12,655
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-6,540</b>	<b>-16,814</b>	<b>-23,354</b>	<b>-13</b>	<b>-23,367</b>
Conversion of convertible bond	15,477	134,138	-	-	-	149,615	-	149,615
Issue costs associated with 2018 conversion	-	-1,635	-	-	-	-1,635	-	-1,635
Tax effect on conversion of convertible bond	-	1,277	-	-	-	1,277	-	1,277
Purchase/sale of treasury shares	-	-	5,377	-	-5,434	-57	-	-57
<b>Total transactions with owners</b>	<b>15,477</b>	<b>133,780</b>	<b>5,377</b>	<b>-</b>	<b>-5,434</b>	<b>149,200</b>	<b>-</b>	<b>149,200</b>
<b>Balance at 31 December 2018</b>	<b>35,654</b>	<b>592,873</b>	<b>-35,281</b>	<b>-91,693</b>	<b>-267,904</b>	<b>233,649</b>	<b>-665</b>	<b>232,984</b>

**Total Group reserves at the  
end of December 2018**

**197,995**

In the reporting year 2017, 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 2017</b>	<b>20,145</b>	<b>459,237</b>	<b>-45,391</b>	<b>-89,319</b>	<b>-246,997</b>	<b>97,675</b>	<b>-688</b>	<b>96,987</b>
Net income for the period	-	-	-	-	-4,838	-4,838	67	-4,771
Other comprehensive income for the period	-	-	-	4,166	10,832	14,998	-31	14,967
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,166</b>	<b>5,994</b>	<b>10,160</b>	<b>36</b>	<b>10,196</b>
Conversion of convertible bond	32	252	-	-	-	284	-	284
Issue costs associated with 2018 conversion	-	-399	-	-	-	-399	-	-399
Tax effect on conversion of convertible bond	-	3	-	-	-	3	-	3
Purchase/sale of treasury shares	-	-	4,733	-	-4,653	80	-	80
<b>Total transactions with owners</b>	<b>32</b>	<b>-144</b>	<b>4,733</b>	<b>-</b>	<b>-4,653</b>	<b>-32</b>	<b>-</b>	<b>-32</b>
<b>Balance at 31 December 2017</b>	<b>20,177</b>	<b>459,093</b>	<b>-40,658</b>	<b>-85,153</b>	<b>-245,656</b>	<b>107,803</b>	<b>-652</b>	<b>107,151</b>

**Total Group reserves at the  
end of December 2017**

**87,626**

# Notes to the consolidated financial statements as of 31 December 2018

## 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 in Breitenbach, Switzerland. Its domicile is at Passwangstrasse 20, 4226 Breitenbach, Switzerland.

### Summary of significant accounting policies

The consolidated financial statements of the company are prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) 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 the balance sheet relates in principle to 31 December of the year in question unless specified otherwise.

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention.

### Adoption of new accounting policies

The following amendments to the IASB's standards were adopted for the first time for the financial year starting on 1 January 2018. However, they had no material impact on the result or the financial position of Von Roll. The specific impact of the first-time adoption of IFRS 9 and 15 is presented below.

<b>New standards and interpretations</b>		Effective for annual periods beginning on or after	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

<b>Amendments to standards</b>		Effective for annual periods beginning on or after	Adoption by Von Roll
IAS 40	Amendments to Transfers of Investment Property	1. Jan. 2018	Financial year 2018
other	IFRS 2, IFRS 4 annual improvements	1 Jan. 2018	Financial year 2018

## IFRS 15

The first-time adoption of IFRS 15 led to a more detailed description of the accounting policies but had no impact on the presentation of revenue in the statement of comprehensive income or Notes. Splitting the revenue between Insulation and Composites and between geographical regions in accordance with the segment reporting fulfils the requirements of IFRS 15.

## IFRS 9

### a) Classification

With the transition from IAS 39 to IFRS 9, the categories of financial instruments received the following new designations:

	Category IAS 39	Category IFRS 9	Value IAS 39	Value IFRS 9	Note
Cash and cash equivalents	loans and receivables	amortized cost	45,161	45,161	27
Trade accounts receivable	loans and receivables	amortized cost	58,716	58,716	25
Current financial assets	loans and receivables	amortized cost	1,784	1,784	21
Non-current financial assets	loans and receivables	amortized cost	3,173	3,173	21
Trade accounts payable	amortized cost	amortized cost	19,145	19,145	31
Current financial liabilities	amortized cost	amortized cost	16,959	16,959	29
Non-current financial liabilities	amortized cost	amortized cost	152,558	152,558	29

### b) Measurement

As shown in the table above, no changes were made to measurement in the move from IAS 39 to IFRS 9. Due to the transition from the “incurred loss” model to the “expected loss” model, the valuation allowance for accounts receivable was expected to be higher in general. However, a remeasurement under the “expected loss” model only resulted in a slight deviation from the previous valuation allowance. The immaterial amount was recognised in the statement of comprehensive income.

### c) Hedge accounting

Von Roll does not use hedge accounting.

### Accounting policies not yet effective

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 early adopted 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 16	Leases	1 Jan 2019	Financial year 2019	1)
IFRS 17	Insurance contracts	1 Jan 2021	not relevant	*
IFRIC 23	Uncertainty over income tax treatment	1 Jan 2019	Financial year 2019	*

<b>Amendments to standards</b>		Effective for annual periods beginning on or after	Planned adoption by Von Roll	
IAS 19	Plan amendment, curtailment or settlement (amendments to IAS 19)	1 Jan 2019	Financial year 2019	*
IAS 28	Changes related to longtime investments of its Associate or Joint Ventures	1 Jan 2019	Financial year 2019	*
IFRS 9	Amendmend symmetric prepayment options	1 Jan 2019	Financial year 2019	*
other	Annual improvements IFRS 3, IFRS 11, IAS 12, IAS 23	1 Jan 2019	Financial year 2019	*
IFRS 3	Amendmends to Business Combinations	1 Jan 2020	Financial year 2020	*
IAS 1 and IAS 8	Amendmends to the definition of Material	1 Jan 2020	Financial year 2020	*

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

1) IFRS 16 replaces IAS 17 Leases and has to be adopted from 1 January 2019. When the new standard is implemented, all leases (in accordance with the definition in IFRS 16) will be recognised in the balance sheet with the exception of low-value and short-term leases. Von Roll has calculated the rights of use to be recognised on the assets side and lease obligations to be recognised on the liabilities side as at 1 January 2019; these amount to around CHF 2.6 million. From 2019, the annual operating lease costs recognised fully as functional costs until now will be reported as interest expense on the lease liability and as amortisation of the rights of use. Instead of around CHF 1.3 million in rental and lease expense, around CHF 1.2 million in amortisation and CHF 0.1 million in interest expense are expected in 2019. The share of the annual lease payments reported as a repayment of the lease obligation will also be reported as outflow from financing activities in future (it has been reported fully as outflow from operating activities in the cash flow statement to date). The repayment amount expected in 2019 is around CHF 1.2 million.

### Scope of consolidation

The consolidated financial statements comprise those of the company and of its subsidiaries. The subsidiaries controlled by the company are fully consolidated from the date on which control is obtained. An entity is deemed to be in control if it holds a majority equity investment and the majority of the voting rights or when it exercises control in another way. The list of the significant subsidiaries is provided in Note 22 of this Annual Report.

### Principles of consolidation

The financial statements of consolidated companies have been prepared as of the balance sheet date of the consolidated financial statements. They have been prepared under the historical cost principle, modified by the revaluation of financial assets at fair value through profit and loss. They also apply standardised valuation and presentation principles.

### Currency translation

In the subsidiaries, operations in a foreign currency are recorded at the exchange rate prevailing on the date 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 converted into Swiss francs (CHF) using the weighted average exchange rates. Assets and liabilities are translated using the year-end exchange rates. Differences arising from the translation of equity in subsidiaries and non-current intercompany loans (only loans of an equity nature) and 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 assured 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 control has 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.

As of 1 January 2018, Von Roll is applying the new standard IFRS 15 (Revenues from Contracts with Customers). The new standard no longer distinguishes between the sale of goods, services and long-term construction contracts. Instead, it is the satisfaction of the performance obligation (at a point in time or over time) that is relevant.

Von Roll sells goods in the Insulation and Composites industry segments in the EMEA, Americas and Asia regions. Details of the segments and geographical regions are presented in the "Segment reporting" section (see Note 5). The performance obligation is almost always satisfied at a point in time. With the sale of the water business (Von Roll BHU Umwelttechnik GmbH) in the financial year 2018, Von Roll has given up its only business that recognises revenue over time.

In accordance with IFRS 15, the time of fulfilment of the performance obligations is the time when the customer obtains control. Therefore, there were no changes for Von Roll from the "risks and rewards" revenue model under the previous standard (IAS 18).

In the case of contracts with customers, Von Roll checks whether there are other promises that constitute separate performance obligations to which part of the transaction price must be allocated (e.g. warranties). The warranties granted by the Group are not usually separate performance obligations. When determining the transaction price, the impact of a variable consideration or the existence of significant financing components are taken into account. However, these are not customary in the Group.

#### Trade accounts receivable

Valuation allowances for accounts receivable are determined individually based on business management considerations. Accounts receivable are also measured using the “expected loss” model in accordance with IFRS 15. The reported values represent the invoiced amounts. Valuation allowances for non-performing loans are determined periodically.

#### Inventories

Raw materials and purchased goods are valued at acquisition cost, while unfinished and finished products are valued at production cost 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, taking account of normal capacity utilisation. Valuations are reviewed regularly and, if necessary, adjusted in line with current circumstances. Unsaleable and expired goods are fully written off. Valuation allowances are also recognised based on inventory turnover and coverage analyses.

#### Property, plant and equipment

Property, plant and equipment are reported at acquisition or production cost minus accumulated depreciation and recognised impairments. They are depreciated in the income statement on a straight-line basis in accordance with their useful economic 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 acquisition and production costs are recognised 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 subjected 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. They 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 loans comprise investments in an associated company as well as non-current and current loans to associated companies and third parties.

Loans are categorised as credits and accounts receivable and valued at amortised cost less any impairment. All purchases and sales of financial assets are posted 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. However, an impairment test is carried out at least once a year. 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. Provisions for obligations arising from planned restructuring measures are set aside if detailed measures have been formally prepared and there is good reason to expect that they will be implemented, either because their implementation has already begun or because their key points have been announced.

### 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 Von Roll 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 if these contributions 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” (OCI) 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. The pension obligations or assets recognised in the consolidated balance sheet represent the actual deficit or surplus in Von Roll'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 balance sheet.

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.

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.

### 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 (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management monitors and manages risks on a regular basis and seeks to minimise potential adverse effects on Von Roll's financial performance. In order to hedge certain risk exposures, the company uses derivative financial instruments on a case-by-case basis.

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.

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, rounded) currency risks with respect to the euro of CHF 35 million (2017: CHF 32 million); to the US dollar of CHF 17 million (2017: CHF 12 million); to the Chinese renminbi of CHF 8 million (2017: CHF 10 million) and to the Indian rupee of CHF 11 million (2017: CHF 8 million). Taken together, all other currencies account for a foreign exchange risk of CHF 3 million (2017: CHF 5 million). A change in all foreign currency exchange rates of 5% would impact the result before tax of Von Roll by around CHF 3.8 million (previous year: around CHF 3.3 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 3.5 million (previous year: approximately CHF 4.8 million) on equity.

Von Roll has investments in foreign operations whose net assets are exposed to foreign currency transaction risk. The risk of foreign currency translation differences associated with subsidiaries is 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 2017 or at 31 December 2018.

### Interest rate risk

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

The only interest-bearing assets of Von Roll are its cash and cash equivalents, which are only exposed to minor interest rate risk.

The financial liabilities of Von Roll relate predominantly to a credit facility with the bank drawn on as of the reporting date and two convertible bonds. As these have a fixed interest rate, the short-term interest rate risk for Von Roll is low. Further details on the interest rates of financial liabilities are provided in Note 29 “Financial liabilities”.

Von Roll is also exposed to interest rate risk arising from pension obligations (IAS 19), which has an impact only on Von Roll's other comprehensive income and equity. Further details, including interest rate sensitivity, are provided in Note 36 “Employee benefits”.

## (b) Credit risk

Von Roll has no significant concentrations of credit risk. The management establishes internal policies and guidelines to ensure that sales of products are made to customers with an appropriate credit rating. The 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.

### (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 contain interest rates and principal repayments.

The due dates are as follows as of 31 December 2018:

in CHF 1,000	Effective interest rate	Within 1 year	1 to 4 years	More than 4 years	Total
Convertible bond 2014 – 2020	4.0 %	76	6,181	–	6,258
Convertible bond 2016 – 2022	3.9 %	11	1,140	–	1,151
Trade accounts payable		16,598	–	–	16,598
Current financial liabilities	1.5 %	23,056	–	–	23,056
<b>Total liabilities without derivatives</b>		<b>39,741</b>	<b>7,322</b>	<b>–</b>	<b>47,063</b>
<b>Total derivatives</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>		<b>39,741</b>	<b>7,322</b>	<b>–</b>	<b>47,063</b>

The due dates as of 31 December 2017 had the following structure:

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	21,525	–	21,788
Convertible bonds 2016 – 2022	3.9 %	1,497	155,664	–	157,161
Trade accounts payable		19,145	–	–	19,145
Current financial liabilities	2.5 %	16,959	–	–	16,959
<b>Total liabilities without derivatives</b>		<b>37,863</b>	<b>177,189</b>	<b>–</b>	<b>215,052</b>
<b>Total derivatives</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>		<b>37,863</b>	<b>177,189</b>	<b>–</b>	<b>215,052</b>

### 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 28.2% as at 31 December 2017 to 66.5% as at 31 December 2018. 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 2018.

### Use of assumptions and estimates

Von Roll's principal accounting policies are set out in the relevant section of the consolidated financial statements. They 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:

### Goodwill

Goodwill is reviewed annually for impairment or more frequently if there are indications that impairment may be required. To assess if any impairment exists, the management makes estimates 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 carryforwards, 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 plans. These are either defined benefit or 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

The environmental provisions are reviewed and measured regularly by the management based on the information available at the time of the evaluation. After the reasons for recognising a provision no longer applied to two sites formerly owned by Von Roll in the financial year 2018, the management released the existing provisions for these sites of CHF 3.1 million through profit and loss in the reporting period.

## 2. Changes in the scope of consolidation and discontinued business segments

### 2.1 Changes in the scope of consolidation

#### Sale of Mica Electrical (Luhe) Co., Ltd.

The contract of sale for the shares in Mica Electrical (Luhe) Co., Ltd. based in Luhe, China, was signed on 12 May 2018. The site in Luhe primarily produced mica paper as well as mica plates pressed from this paper. The transaction was completed on 22 May 2018. The sale of the company's shares resulted in a loss of CHF 1.8 million, which was reported under other operating expense. After purchase price reductions, Von Roll received cash and cash equivalents totalling CHF 8.4 million from the sale.

The carrying amounts of the net assets sold and the cash flow from the transaction were as follows:

in CHF 1,000	22.05.2018
Cash and cash equivalents	1,392
Trade accounts receivable	2,759
Inventories	846
Other accounts receivable and prepaid expense	348
Property, plant and equipment	4,542
Intangible assets	23
Deferred tax assets	1,950
Trade accounts payable	- 249
Other current liabilities and accruals	- 329
<b>Net assets</b>	<b>11,283</b>
Consideration received in cash	9,830
Cash and cash equivalents disposed of	- 1,392
<b>Net cash flow</b>	<b>8,438</b>
Loss from the Sale of Mica Electrical (Luhe) Co., Ltd.	- 1,453
Reclassification of currency translation adjustment	- 393
<b>Loss from Sale of Luhe</b>	<b>- 1,846</b>

#### Sale of Von Roll Austral Inc.

On 24 May 2017, Von Roll signed the contract of sale for its shares in Von Roll Austral Inc., based in Douglasville, Georgia, USA. Von Roll Austral Inc. conducted the wire business of Von Roll's North American group of companies. The transaction was completed on the same day. Von Roll entered into standard obligations for a transaction of this kind in conjunction with the sale. A profit of TCHF 728 was generated by the sale of the shares in the company, which was reported under other operating income. The cash inflow from the sale was TCHF 6,618 in the financial year 2017.

#### Foundation of new company Von Roll Automotive GmbH

The company Von Roll Automotive GmbH, based in Augsburg, Germany, was founded in the financial year 2017.

#### Merger of Von Roll Italia SpA with Albesiano Sisa Vernici S.r.l.

In the financial year 2017, Von Roll Italia SpA, Ghisalba, Italy, merged with Albesiano Sisa Vernici S.r.l., Trofarello, Italy.

## 2.2 Discontinued business segments

As announced on 8 February 2018, the partial sale of the water business of Von Roll BHU Umwelttechnik GmbH, Germany, already presented as a “discontinued business segment” as of 31 December 2017, has been effected as part of a management buyout (MBO). The partial sale mainly comprised the water business in China.

The municipal drinking water business in Germany was also sold to W.E.T. Wasser, Energie, Technologie GmbH on 16 March 2018 in another partial sale.

The sales each comprised the ongoing customer projects on the date of the sale and the associated assets and liabilities. The sale transaction had no effect on the income statement and the relevant assets and liabilities items were transferred to the acquirers at their carrying amounts.

The income components and payments of the discontinued operations included in the financial year 2018 are shown below.

The assets and liabilities of the discontinued business segments are as follows:

in CHF 1,000	31.12.2017
Cash and cash equivalents	816
Trade accounts receivable	1,193
Other accounts receivable	1,372
Inventories	353
Property, plant and equipment	46
Intangible assets	206
Other assets	95
Deferred tax assets	496
<b>Total assets</b>	<b>4,578</b>
Trade accounts payable	942
Financial liabilities	-
Other liabilities and deferred income	2,968
Deferred tax liabilities	496
<b>Total liabilities</b>	<b>4,406</b>
<b>Net assets</b>	<b>172</b>

The result generated by the discontinued business segments is as follows:

in CHF 1,000	31.12.2018	31.12.2017
<b>Net sales</b>	<b>788</b>	<b>4,450</b>
Expenses before Depreciation and financial result	-2,017	-7,307
<b>Earnings before interest, tax, depreciation and amortisation from discontinued operations (EBITDA)</b>	<b>-1,229</b>	<b>-2,857</b>
Depreciation and amortisation	-203	-62
Financial Result	-19	-15
<b>Result from discontinued operations, before income taxes</b>	<b>-1,451</b>	<b>-2,934</b>
Income tax	-	-287
<b>Result from discontinued operations</b>	<b>-1,451</b>	<b>-3,221</b>
<b>Result from discontinued operations per share</b>		
Weighted average number of shares outstanding	200,295,546	194,452,505
Diluted and non-diluted earnings per share in CHF	-0.0072	-0.0166



The cash flows of the discontinued business segments are as follows:

in CHF 1,000	31.12.2018	31.12.2017
Cash flow from operating activities	-1,166	323
Cash flow from investing activities	22	-39
Cash flow from financing activities	-13	-32
<b>Net cash flow from discontinued operations</b>	<b>-1,157</b>	<b>252</b>

### 3. Foreign currencies

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

	Average rates		Period end rates	
	2018	2017	31.12.2018	31.12.2017
EUR	1.156	1.107	1.123	1.177
USD	0.977	0.985	0.980	0.990
GBP	1.308	1.266	1.244	1.329
INR	0.014	0.015	0.014	0.015
BRL	0.271	0.308	0.253	0.300
CNY	0.148	0.145	0.142	0.151

### 4. Net sales

In the reporting year, net sales, adjusted for changes in the scope of consolidation, developed as follows compared with the previous year:

in CHF 1,000	2018	in %	2017	in %
Net Sales	321,387	100.0 %	332,357	100.0 %
Thereof Net Sales Austral Inc. (sold)	-	-	5,257	1.6 %
Thereof Net Sales Luhe Inc. (sold)	3,497	1.1 %	12,868	3.9 %
Net Sales on a comparable basis total	317,890		314,232	
<b>Change compared to previous year on a comparable basis</b>	<b>3,658</b>	<b>1.2 %</b>		

## 5. Segment information

A breakdown by business segment for the financial year 2018 is shown below:

in CHF 1,000	Von Roll	Von Roll Insulation	Von Roll Composites
Total net sales	337,303	241,146	96,157
Thereof sales with other segments	-15,916	-11,498	-4,419
<b>Net sales</b>	<b>321,387</b>	<b>229,648</b>	<b>91,739</b>
Operating expenses/Income	-299,180	-210,153	-89,027
Thereof restructuring expense	-2,275	-	-2,275
<b>operating EBITDA</b>	<b>22,207</b>	<b>19,495</b>	<b>2,712</b>
Depreciation and impairment of property, plant and equipment	-17,132	-14,904	-2,228
Amortisation and impairment of intangible assets	-2,175	-1,551	-624
<b>Segment result</b>	<b>2,900</b>	<b>3,040</b>	<b>-140</b>
Income from investment property	1,458	-	-
<b>EBIT</b>	<b>4,358</b>	<b>-</b>	<b>-</b>
Financial result	-7,938	-	-
Income tax	-5,681	-	-
<b>Net income for the period</b>	<b>-9,262</b>	<b>-</b>	<b>-</b>
Capital expenditures	7,798	5,450	2,348
Impairments	-5,551	-5,551	-

In previous years, a separate “other activities” segment was included, comprising both the water business and holding activities. Due to the sale of the water business in the reporting year, the reason for this separate segment no longer applies. The remaining activities have been reallocated to the operating segments as follows: the costs of the holding activities have been divided between the Insulation and Composites segments in proportion to sales. The result from investment properties is presented as a reconciliation item after the segment result. The figures for the previous year have been restated accordingly.

A breakdown by business segment for the financial year 2017 is shown below:

in CHF 1,000	Von Roll	Von Roll Insulation	Von Roll Composites
Total net sales	348,375	239,498	108,877
Thereof sales with other segments	-16,018	-10,711	-5,307
<b>Net sales</b>	<b>332,357</b>	<b>228,787</b>	<b>103,570</b>
Operating expenses	-312,961	-216,496	-96,466
<b>EBITDA</b>	<b>19,396</b>	<b>12,292</b>	<b>7,103</b>
Depreciation and impairment of property, plant and equipment	-13,601	-10,277	-3,323
Amortisation and impairment of intangible assets	-2,287	-1,570	-717
<b>Segment result</b>	<b>3,508</b>	<b>444</b>	<b>3,064</b>
Income from investment property	967	-	-
<b>EBIT</b>	<b>4,475</b>	<b>-</b>	<b>-</b>
Financial result	-5,654	-	-
Income tax	-371	-	-
<b>Net income for the period</b>	<b>-4,771</b>	<b>-</b>	<b>-</b>
Capital expenditures	9,258	7,618	1,640
Impairments	14	14	-

The reporting segments 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, which is the Board of Directors of Von Roll Holding AG.

### Segment information

Since 2014, the main operating activities of Von Roll have been divided into two main business segments: “Von Roll Insulation” and “Von Roll Composites”. 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.

The activity involving the design and construction of water and wastewater treatment plants was sold in the financial year 2018 and was already classified as a business segment held for disposal as of 31 December 2017.

### Geographical information by location of customer

The table below provides an overview of Von Roll’s net sales by geographical market, irrespective of the origin of the goods and services:

in CHF 1,000	2018	in %	2017	in %	Variation
EMEA	173,815	54.1 %	172,638	51.9 %	0.7 %
America	59,824	18.6 %	70,695	21.3 %	-15.4 %
Asia	87,748	27.3 %	89,024	26.8 %	-1.4 %
<b>Von Roll Group</b>	<b>321,387</b>	<b>100.0 %</b>	<b>332,357</b>	<b>100.0 %</b>	<b>-3.3 %</b>

### Information on major clients

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

### 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales to third parties	321,387	332,357	173,815	172,638	59,824	70,695	87,748	89,024
Capital expenditures	7,798	9,258	4,049	5,332	1,434	3,147	2,315	779
Number of employees (FTE)	1,264	1,536	749	788	259	260	256	488

### Allocation of goodwill

All goodwill is allocated to the Von Roll Insulation segment; it amounts to TCHF 10,428 (2017: TCHF 10,968).

The method applied for the impairment test is described in Note 18 relating to goodwill, Note 19 relating to intangible assets and Note 17 relating to property, plant and equipment.

## 6. Expense by type and function

in CHF 1,000	2018	2017
<b>Expense by type</b>		
Raw materials and consumables	-162,771	-172,823
Energy cost	-9,740	-10,284
Personnel expenses (Note 7)	-88,214	-94,301
Depreciation and impairments on PPE and intangible assets (Note 8/17/18/19)	-20,103	-15,278
Other expense	-37,222	-38,101
<b>Total</b>	<b>-318,050</b>	<b>-330,787</b>
<b>Expense by function</b>		
Cost of goods sold	-266,124	-273,999
Research and development expense	-7,302	-5,889
Sales and distribution expense	-16,602	-17,071
Administrative expense	-28,022	-33,828
<b>Total</b>	<b>-318,050</b>	<b>-330,787</b>

## 7. Personnel expenses

in CHF 1,000	2018	2017
Wages and salaries	-66,599	-70,654
Post-employment benefit	-3,608	-5,882
Other social security costs	-14,351	-15,325
Other personnel costs	-3,656	-2,440
<b>Total</b>	<b>-88,214</b>	<b>-94,301</b>

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

## 8. Depreciation, amortisation and impairments

in CHF 1,000	2018	2017
Land and buildings (Notes 6 and 17)	-3,120	-3,094
Technical installations and machinery (Notes 6 and 17)	-7,853	-8,860
Plant and office equipment (Notes 6 and 17)	-1,405	-1,028
Investment property (Notes 11 and 20)	-656	-662
<b>Total regular depreciation on PPE and investment property</b>	<b>-13,034</b>	<b>-13,644</b>
Intangible assets (Notes 6 and 19)	-2,175	-2,282
<b>Total regular amortisation on intangible assets</b>	<b>-2,175</b>	<b>-2,282</b>
Impairments on PPE (Notes 6 and 17)	-5,551	-9
Impairments on intangible assets (Notes 6 and 19)	-	-5
<b>Total impairments</b>	<b>-5,551</b>	<b>-14</b>
<b>Total depreciation, amortisation and impairments</b>	<b>-20,759</b>	<b>-15,940</b>

## 9. Other operating income

in CHF 1,000	2018	2017
Rental income	–	50
Income from other services	423	399
Income from dissolution of other provisions	8	800
Profit from sale of non-current assets	150	1,512
Other operating income	3,113	59
<b>Total</b>	<b>3,694</b>	<b>2,820</b>

The other operating income mainly comes from the release of an environmental provision for former sites.

## 10. Other operating expense

in CHF 1,000	2018	2017
Restructuring costs (Note 12)	–2,275	–
Rental expense for sublet areas	–	–399
Loss from the disposal of non-current assets	–1,923	–
Other operating expense	67	–483
<b>Total</b>	<b>–4,131</b>	<b>–882</b>

The loss from the disposal of non-current assets primarily comprises the sale of Mica Electrical (Luhe) Co. Ltd. based in China (Note 2.1).

## 11. Result from investment properties

in CHF 1,000	2018	2017
Income from investment property	3,587	2,935
Expense for investment property	–1,426	–1,306
Depreciation on investment property (Notes 9 and 20)	–656	–662
Result from the sale of investment property	–47	–
<b>Total</b>	<b>1,458</b>	<b>967</b>

## 12. Restructuring costs

Restructuring expenses totalling CHF 2.3 million are recognised as a provision in the reporting year. These are in connection with the transfer of the activities for machining composites located in France to the production sites in the UK and Germany. In future, all European composites machining activities will be pooled at our centres of excellence in the UK and Germany.

In the previous year, no restructuring costs were recognised.

### 13. Financial income

in CHF 1,000	2018	2017
Interest income	234	243
Interest income from pension funds (Note 36)	187	99
Foreign exchange result	-	1,451
Other financial income	1	35
<b>Total</b>	<b>422</b>	<b>1,828</b>

### 14. Financial expense

in CHF 1,000	2018	2017
Interest expense on bank debts	-173	-322
Interest expense on pension funds (Note 36)	-687	-667
Bank charges	-394	-480
Interest expense on bonds	-4,544	-5,823
Interest expense on loans and other financial liabilities	-122	-128
Foreign exchange losses	-2,495	-
Other financial expense	55	-62
<b>Total</b>	<b>-8,360</b>	<b>-7,482</b>

The foreign exchange result is presented net in the reporting period. In previous years, foreign exchange gains and losses have been reported gross in Notes 13 and 14.

## 15. Income tax

in CHF 1,000	2018	2017
Result before tax	-3,580	-1,179
Result before tax from discontinued operations	-1,451	-2,934
Income taxes at Swiss statutory tax rate	21.0 %	21.0 %
<b>Expected tax income</b>	<b>1,057</b>	<b>864</b>
Applicable tax rates differing from Swiss statutory tax rate	-1,859	-3,439
Non-tax-deductible expenses	-1,617	-3,619
Non-taxable income	947	3,429
Variation of tax rate	-	856
Increase in unrecognised tax losses	-1,903	-532
Utilisation of unrecognised tax losses	1,730	426
Valuation allowance on deferred tax assets	-1,319	-
Taxes relating to prior periods and other items	-2,717	1,357
<b>Effective tax expense (-)/income (+)</b>	<b>-5,681</b>	<b>-658</b>
Tax income is as follows:		
Current tax	-2,915	111
Deferred tax	-2,766	-769
<b>Total tax expense (-)/income (+)</b>	<b>-5,681</b>	<b>-658</b>
Thereof reported under discontinued operations	-	-287
Thereof reported under continuing operations	-5,681	-371
Taxes paid	-2,030	1,567

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 tax rate" depends on the breakdown of the results among the various subsidiaries and tax jurisdictions.

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

in CHF 1,000	Assets		Liabilities	
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Current assets	1,027	29	1,111	35
Non-current assets	2,051	5,973	1,920	7,849
Current liabilities	251	228	1,090	70
Non-current liabilities	5,329	82	5,505	1,591
Tax losses	8,078	-	12,595	-
<b>Deferred taxes (gross)</b>	<b>16,736</b>	<b>6,312</b>	<b>22,221</b>	<b>9,545</b>
Offsetting	-2,064	-2,064	-1,244	-1,244
<b>Deferred taxes (net)</b>	<b>14,672</b>	<b>4,248</b>	<b>20,977</b>	<b>8,301</b>

There are no significant temporary differences associated with investments in Group companies.

Deferred taxes changed as follows:

in CHF 1,000	2018	2017
Balance at 1 January	12,676	19,050
Recognition and reversal of temporary differences		
- Through income statement	- 2,766	- 769
- Through other comprehensive income	1,615	- 5,984
- Through equity	1,319	335
Disposal from sale of business	- 1,950	-
Currency translation	- 470	44
<b>Balance at 31 December</b>	<b>10,424</b>	<b>12,676</b>

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

in CHF 1,000	31.12.2018	31.12.2017
Deferred tax assets	14,672	20,977
Deferred tax liabilities	- 4,248	- 8,301
<b>Net deferred tax assets</b>	<b>10,424</b>	<b>12,676</b>

Movements in tax losses carried forward are as follows:

in CHF 1,000	2018	2017
At 1 January	409,778	398,385
Currency translation	- 2,409	5,856
Adjustments of previous year's values	4,283	6,768
Increase in tax losses	18,516	24,993
Tax losses expired	- 38,292	- 21,706
Capitalised and value adjusted tax losses utilised	- 8,783	- 4,518
Changes scope of consolidation (Note 2)	- 5,924	-
<b>Balance at 31 December</b>	<b>377,169</b>	<b>409,778</b>



Expiry dates for tax losses carried forward are as follows:

in CHF 1,000	31.12.2018 of which not capitalized		31.12.2017 of which not capitalized	
In 1 year	63,806	63,806	27,729	23,527
In 2 years	16,496	16,496	62,023	57,656
In 3 years	104,724	104,724	34,982	21,778
In 4 years	36,531	33,874	107,201	100,597
In 5 years	47,390	40,318	38,030	32,433
In 6 years	23,750	19,771	47,390	40,318
In 7 years	13,018	11,522	20,753	19,773
In more than 8 years	3,082	335	46,524	43,574
No expiry date	68,372	55,471	25,146	8,147
<b>Total</b>	<b>377,169</b>	<b>346,317</b>	<b>409,778</b>	<b>347,803</b>

Deferred tax assets arising from losses carried forward are only recognised to the extent that it is likely that they will be available for use in future.

Cumulative tax losses of TCHF 258,977 (2017: TCHF 268,834) relate to tax losses in tax-privileged holding companies. No deferred taxes were capitalised on tax losses amounting to TCHF 13,922 (2017: TCHF 20,524) in the reporting year.

## 16. Earnings per share

	2018	2017
Net income attributable to shareholders in CHF 1,000	-10,686	-4,838
Weighted average number of shares outstanding	200,295,546	194,452,505
<b>Undiluted earnings per share in CHF</b>	<b>-0.053</b>	<b>-0.025</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 29 "Financial liabilities" for further explanation.

## 17. 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 2017	155,034	234,151	22,336	411,521
Additions	740	7,247	652	8,639
Disposals	- 612	- 11,119	- 3,082	- 14,813
Changes in the scope of consolidation (Note 2)	- 1,568	- 11,441	- 262	- 13,271
Assets held for sale	-	-	- 143	- 143
Currency translation	3,585	7,156	822	11,563
Reclassifications	3,289	- 4,528	951	- 288
<b>Balance at 31 December 2017</b>	<b>160,468</b>	<b>221,466</b>	<b>21,274</b>	<b>403,208</b>
Balance at 1 January 2018	160,468	221,466	21,274	403,208
Additions	282	6,574	896	7,752
Disposals	- 451	- 7,937	- 3,432	- 11,820
Changes in the scope of consolidation (Note 2)	- 4,635	- 6,025	- 297	- 10,957
Currency translation	- 2,902	- 7,756	- 824	- 11,482
Reclassifications	2,609	705	1,099	4,413
<b>Balance at 31 December 2018</b>	<b>155,371</b>	<b>207,027</b>	<b>18,716</b>	<b>381,114</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2017	- 103,311	- 162,576	- 19,481	- 285,368
Depreciation (Note 8)	- 3,094	- 8,860	- 1,028	- 12,982
Impairments (Note 8)	- 6	-	- 3	- 9
Disposals	653	10,902	2,753	14,308
Changes in the scope of consolidation (Note 2)	1,087	10,554	229	11,870
Assets held for sale (Note 2)	-	-	90	90
Currency translation	- 2,539	- 6,588	- 687	- 9,814
Reclassifications	- 752	920	- 18	150
<b>Balance at 31 December 2017</b>	<b>- 107,962</b>	<b>- 155,648</b>	<b>- 18,145</b>	<b>- 281,755</b>
Balance at 1 January 2018	- 107,962	- 155,648	- 18,145	- 281,755
Depreciation (Note 8)	- 3,120	- 7,853	- 1,405	- 12,378
Impairments (Note 8)	-	- 5,515	- 36	- 5,551
Disposals	837	7,117	3,410	11,364
Changes in the scope of consolidation (Note 2)	2,326	3,881	208	6,415
Currency translation	1,958	4,970	- 27	6,901
Reclassifications	366	- 4,617	- 46	- 4,297
<b>Balance at 31 December 2018</b>	<b>- 105,595</b>	<b>- 157,665</b>	<b>- 16,041</b>	<b>- 279,301</b>
<b>Net carrying amounts at 31 December 2017</b>	<b>52,506</b>	<b>65,818</b>	<b>3,129</b>	<b>121,453</b>
<b>Net carrying amounts at 31 December 2018</b>	<b>49,776</b>	<b>49,362</b>	<b>2,675</b>	<b>101,813</b>

Technical equipment and machinery include an amount of CHF 3.9 million (2017: CHF 12.4 million) relating to property, plant and equipment under construction.

Property, plant and equipment at the level of the cash-generating units are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In the reporting year, an impairment amount of TCHF 5,551 was required in relation to technical installations and plant and office equipment, which were almost fully written off. The impairment required was entirely due to the continuing price erosion affecting wire products in Europe and the associated reduced recoverable amount of the production facilities at Von Roll France S.A., Delle, in France. The total impairment amount is completely attributable to the Von Roll Insulation segment.

Impairment tests in the financial year 2017 revealed no need for impairment.

## 18. Goodwill

At Von Roll, goodwill is allocated to the cash-generating units. These correspond to the following legal entities:

in CHF 1,000	Albesiano Sisa Vernici S.r.l.	Von Roll USA, Inc.	Von Roll India Pvt Ltd.	Total
<b>Balance at 1 January 2017</b>	420	5,679	5,032	11,131
Impairments	-	-	-	-
Currency translation	42	- 305	100	- 163
<b>Balance at 31 December 2017</b>	<b>462</b>	<b>5,374</b>	<b>5,132</b>	<b>10,968</b>
Impairments	-	-	-	-
Currency translation	- 22	- 51	- 467	- 540
<b>Balance at 31 December 2018</b>	<b>440</b>	<b>5,323</b>	<b>4,665</b>	<b>10,428</b>

<b>Input factors Impairment tests</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Discount rate before taxes	12.4 %	13.4 %	8.6 %	8.8 %	10.7 %	11.2 %
Average growth rate	3.2 %	3.7 %	1.2 %	2.0 %	3.9 %	4.6 %
Long-term growth rate	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %

As stipulated by IAS 36, Von Roll reviews its goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in the balance sheet.

The impairment test has been determined using the discounted cash flow method applying discount rates, average annual growth rates and long-term growth rates (perpetual annuity) in accordance with the table above.

The management estimates discount rates using rates that reflect the current market assessments, the time value of money and the risk specific to the cash-generating units. The growth rates assumed may change due to overall economic conditions or the completion of projects under way in the individual countries. The discount rate is affected by factors including future interest rate trends.

For Von Roll India Pvt Ltd, Von Roll USA, Inc. and Albesiano Sisa Vernici S.r.l., the management believes that changes in the underlying assumptions on which the determination of the recoverable amount is based that would lead to the cumulative carrying amount of the cash-generating unit exceeding its cumulative recoverable amount are rather unlikely in the medium term.

The following underlying assumptions were made to determine the value in use of the cash-generating units of Von Roll:

Discount rate before taxes	As a result of the relatively stable influencing factors, the discount rate was not materially changed compared with previous years.
Average growth projection	Project delays and external market changes can influence average growth forecasts. The growth forecast was increased slightly compared with the previous year due to a more positive assessment by management.
Long-term growth projection	The long-term growth forecast remained unchanged at 1% compared with the previous year.

Von Roll prepares cash flow forecasts based on the financial budget for the year 2019 approved by the management and the Board of Directors. Von Roll extrapolates cash flows for 2020 to 2023 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. The impairment tests in 2018 and 2017 showed that goodwill did not require any impairment.

## 19. Intangible assets

in CHF 1,000	Trademarks, licences and similar rights	Other intangible assets	Total
<b>Cost</b>			
Balance at 1 January 2017	32,307	24,773	57,080
Additions	615	4	619
Disposals	- 6,188	-	- 6,188
Changes in the scope of consolidation (Note 2)	-	- 1,201	- 1,201
Assets held for Sale (Note 2)	- 1,103	-	- 1,103
Reclassifications	258	- 3	255
Currency translation	38	- 281	- 243
Balance at 31 December 2017	25,927	23,292	49,219
		-	
Balance at 1 January 2018	25,927	23,292	49,219
Additions	46	-	46
Disposals	- 184	-	- 184
Changes in the scope of consolidation (Note 2)	- 124	- 2,130	- 2,254
Reclassifications	524	- 4,895	- 4,371
Currency translation	- 57	- 363	- 420
<b>Balance at 31 December 2018</b>	<b>26,132</b>	<b>15,904</b>	<b>42,036</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2017	- 18,156	- 24,126	- 42,282
Amortisation (Note 8)	- 2,258	- 24	- 2,282
Impairments (Note 8)	- 5	-	- 5
Disposals	6,183	-	6,183
Changes in the scope of consolidation (Note 2)	-	1,199	1,199
Assets held for sale (Note 2)	796	-	796
Currency translation	- 37	274	237
Balance at 31 December 2017	- 13,477	- 22,677	- 36,154
Balance at 1 January 2018	- 13,477	- 22,677	- 36,154
Amortisation (Note 8)	- 2,153	- 22	- 2,175
Disposals	180	-	180
Changes in the scope of consolidation (Note 2)	101	2,130	2,231
Reclassifications	-	4,895	4,895
Currency translation	74	261	335
<b>Balance at 31 December 2018</b>	<b>- 15,275</b>	<b>- 15,413</b>	<b>- 30,688</b>
<b>Net carrying amounts at 31 December 2017</b>	<b>12,450</b>	<b>615</b>	<b>13,065</b>
<b>Net carrying amounts at 31 December 2018</b>	<b>10,857</b>	<b>491</b>	<b>11,348</b>

In the financial year 2018, internally generated intangible assets in the amount of TCHF 183 (2017: TCHF 172) were capitalised.

As in the previous year, the impairment test did not reveal any need for impairment in the reporting year.

## 20. Investment property

in CHF 1,000	2018	2017
<b>Cost</b>		
Balance at 1 January	43,498	43,209
Disposals	- 48	1
Reclassifications from property, plant and equipment	-	288
<b>Balance at 31 December</b>	<b>43,450</b>	<b>43,498</b>
<b>Accumulated depreciation</b>		
Balance at 1 January	- 37,291	- 36,479
Depreciation (Notes 8 and 11)	- 656	- 662
Reclassifications from property, plant and equipment	-	- 150
<b>Balance at 31 December</b>	<b>- 37,947</b>	<b>- 37,291</b>
<b>Net carrying amounts at 31 December</b>	<b>5,503</b>	<b>6,206</b>

Due to the departure of a significant tenant in the reporting period, a remeasurement of the investment property was carried out. The fair value of investment property is now TCHF 17,270 (2017: TCHF 21,517).

Fair values for buildings have been determined using the discounted cash flow method. The discount rates range from 3.85% to 4.40%. Fair values for undeveloped land have been determined on the basis of current market prices. The fair values of the properties are calculated regularly (every five years) by independent, qualified experts. The latest valuations were prepared in December 2018.

## 21. Financial assets

in CHF 1,000	2018	2017
<b>Balance at 1 January</b>	<b>4,957</b>	<b>3,319</b>
Assets held for sale	-	- 86
Changes (Additions less disposals/repayments)	- 809	1,797
Currency translation	- 675	- 73
<b>Balance at 31 December</b>	<b>3,473</b>	<b>4,957</b>
Of which current	487	1,784
Of which non-current	2,986	3,173

An investment of over 20% in Transalpina Unternehmung für Industriebedarf GmbH, Vienna, Austria, which is not shown separately in the balance sheet for materiality reasons, is included in the financial assets. This item also includes refunded input tax credits in South America bought at a government auction.

## 22. List of subsidiaries

Details of Von Roll's significant consolidated subsidiaries as of 31 December 2018 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	100.00 %	CH	CHF	16,000	Prod. and sales
Von Roll Management AG, Breitenbach	100.00 %	CH	CHF	1,500	Administration
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 Automotive GmbH, Augsburg <sup>1</sup>	100.00 %	DE	EUR	1,000	Sales
Von Roll REACH GmbH, Augsburg	100.00 %	DE	EUR	25	Administration
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>2</sup>	100.00 %	GB	GBP	4,000	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>Americas</b>					
Von Roll do Brasil Ltda., Fortaleza	100.00 %	BR	BRL	22,929	Prod. and sales
Von Roll USA, Inc., Schenectady/New York	100.00 %	US	USD	250	Prod. and sales
John C. Dolph Company, Schenectady/New York	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

<sup>1</sup> Of which EUR 0,450 million are paid in

<sup>2</sup> Of which GBP 3,750 million are paid in

## 23. 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 2018 and 31 December 2017 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	31.12.2018	31.12.2017
Within 1 year	312	798
In 2 to 5 years	705	1,733
<b>Total lease commitments of future minimum lease payments</b>	<b>1,017</b>	<b>2,531</b>

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

An amount of TCHF 723 (2017: TCHF 868), relating exclusively to operating lease payments, has been expensed to the income statement.

## 24. Inventories

in CHF 1,000	31.12.2018	31.12.2017
Raw materials and supplies	27,326	28,833
Work in progress and semi-finished goods	9,170	9,569
Finished goods	14,462	16,290
Inventory obsolescence provision	- 4,369	- 5,270
<b>Total</b>	<b>46,589</b>	<b>49,422</b>

In the reporting period, inventories amounting to TCHF 3,730 (2017: TCHF 5,157) were valued at their lower net realisable value.

Unsaleable and expired goods are fully written off. Valuation allowances are also recognised based on inventory turnover and coverage analyses.

## 25. Trade accounts receivable

in CHF 1,000	31.12.2018	31.12.2017
Receivables (gross)	52,906	60,929
Individual Adjustments	- 693	-
Flat-Rate adjustment (IFRS 9)	- 88	-
Bad debt allowance	-	- 2,213
<b>Total</b>	<b>52,125</b>	<b>58,716</b>

The bad debt allowances are based on specific valuation allowances and actual experience regarding the ageing structure at Von Roll. Due to the introduction of IFRS 9, bad debt allowances are split into specific and general valuation allowances from 2018.



The following table shows movements in bad debt allowances:

in CHF 1,000	31.12.2018	31.12.2017
At 1 January	- 2,213	- 2,316
Currency translation	116	- 53
Bad debt losses	- 106	- 110
Usage of bad debt allowance	1,080	21
Reversal of bad debt allowance	342	245
<b>Bad debt allowance at 31 December</b>	<b>- 781</b>	<b>- 2,213</b>

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

The trade accounts receivable have the following ageing structure:

in CHF 1,000	1) 31.12.2018	31.12.2017
Not past due		45,470
Less than 1 month past due		6,368
Between 1 month and 3 months past due		5,391
Between 3 months and 12 months past due		1,209
More than 1 year past due		2,491
Bad debt allowance		- 2,213
<b>Total</b>		<b>58,716</b>

<sup>1)</sup> See impairment table as at 31 December 2018 below

The net trade accounts receivable after deducting specific valuation allowances have the following due dates:

in CHF 1,000	Days past due					Total
	0–89 days	90–120 days	121–180 days	181–360 days	> 360 days	
<b>31 December 2018</b>						
Expected credit loss rate	0 %	10 %	20 %	50 %	100 %	
Accounts receivables after individual adjustments	51,927	122	52	88	23	52,212
Expected losses	-	12	10	43	23	88

Trade accounts receivable include amounts denominated in the following currencies:

in CHF 1,000	31.12.2018	31.12.2017
CHF	264	302
EUR	27,620	30,911
GBP	1,655	1,545
USD	7,416	7,540
CNY	8,214	10,823
INR	6,132	6,994
Other currencies	824	602
<b>Total</b>	<b>52,125</b>	<b>58,716</b>

## 26. Other accounts receivable and prepaid expense

in CHF 1,000	31.12.2018	31.12.2017
Receivables from employees	60	112
Receivables from VAT and other excise duties	3,183	4,081
Downpayments to supplier	853	976
Other receivables	937	1,169
Prepaid expenses and deferred income	2,458	2,515
<b>Total</b>	<b>7,491</b>	<b>8,853</b>

## 27. Cash and cash equivalents

in CHF 1,000	31.12.2018	31.12.2017
CHF	31,460	20,176
EUR	16,059	10,005
GBP	1,404	1,429
USD	12,304	7,536
CNY	1,724	1,929
INR	5,239	1,611
Other currencies	3,029	2,475
<b>Total</b>	<b>71,219</b>	<b>45,161</b>

Cash and cash equivalents include cash held at banks and other financial institutions. As at the end of 2018, the balance of cash and cash equivalents subject to a drawing restriction amounted to TCHF 493 (2017: TCHF 4,999).

## 28. Equity

	Number of shares	in CHF 1,000	Number of shares	in CHF 1,000
	2018	2018	2017	2017
Share capital				
At 1 January	201,768,555	20,177	201,445,555	20,146
Conversion of convertible bond	154,776,249	15,477	323,000	31
<b>At 31 December</b>	<b>356,544,804</b>	<b>35,654</b>	<b>201,768,555</b>	<b>20,177</b>
Treasury shares				
At 1 January	7,014,048	40,658	7,079,601	45,391
Purchase/sale of treasury shares	43,416	-5,377	-65,553	-4,733
<b>At 31 December</b>	<b>7,057,464</b>	<b>35,281</b>	<b>7,014,048</b>	<b>40,658</b>

### Share capital

The share capital is divided into 356,544,804 bearer shares with a par value of CHF 0.10 per share.

In the reporting year, the share capital was increased by a nominal value of TCHF 15,478 (previous year: TCHF 32) through the conversion of the two convertible bonds. The amount by which the carrying amount of the pro rata liability component exceeds the par value of the new shares was credited to capital reserves (see Note 29 “Financial liabilities”).

### Treasury shares

As at 31 December 2018, Von Roll holds 7,057,464 (2017: 7,014,048) treasury shares. This represents a shareholding of 1.98% (2017: 3.48%) of the share capital issued.

### Conditional capital

The Annual General Meeting on 24 April 2018 increased the existing conditional capital of up to TCHF 7,540 as at 31 December 2017 by TCHF 2,548 to up to TCHF 10,088. Through the conversion of the two bonds in the reporting period (see Note 29 “Financial liabilities”), the amount of conditional capital was reduced by TCHF 9,723 to up to TCHF 365 in the reporting year. The Board of Directors is thus entitled to increase the company’s share capital by up to TCHF 365 by issuing a maximum of 3,650,770 fully paid-up bearer shares to be subscribed for by exercising conversion rights granted in connection with debentures or similar bonds of Von Roll Holding AG or Group companies. This represents 1.02 % of the existing share capital. 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. The exact provisions are specified in Section 2 Article 5a of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/).

### Authorised capital

The existing authorised capital as at 31 December 2017 amounting to TCHF 9,239 expired on 13 April 2018. The Annual General Meeting on 24 April 2018 created new authorised capital of up to TCHF 8,000. As some of the 1.00 %-convertible bond for 2016 – 2022 was converted (see Note 29 “Financial liabilities”), the amount of authorised capital was then reduced by TCHF 5,754 to up to TCHF 2,246. This entitles the Board of Directors to increase the company’s share capital by up to TCHF 2,246 by issuing a maximum of 22,457,258 fully paid-up bearer shares at any time until 24 April 2020. This represents 6.3 % of the existing share capital. 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 and make use of subscription rights which are not exercised in another way in the interest of the company. The Board of Directors is entitled to restrict or suspend shareholders’ subscription rights for certain transactions (such as acquisitions). The exact provisions are specified in Section 2 Article 5b of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/).

### 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.

## 29. Financial liabilities

in CHF 1,000	Fair value		Book value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Current portion of bonds and loans	–	1,219	–	1,219
Other financial liabilities	23,056	15,740	23,056	15,740
<b>Current financial liabilities</b>	<b>23,056</b>	<b>16,959</b>	<b>23,056</b>	<b>16,959</b>
Convertible bonds	7,336	215,706	6,899	152,543
Loans and other financial liabilities	8	15	8	15
<b>Non-current financial liabilities</b>	<b>7,344</b>	<b>215,721</b>	<b>6,907</b>	<b>152,558</b>
<b>Financial liabilities</b>	<b>30,400</b>	<b>232,680</b>	<b>29,963</b>	<b>169,517</b>

Financial liabilities changed as follows:

in CHF 1,000	31.12.2017	cash effective changes		non cash effective changes		31.12.2018
				conversion	interest	
Convertible bonds	152,543	–	–	–149,616	3,976	6,903
Other financial liabilities	16,974	6,090	–	–	–	23,064
<b>Total financial liabilities</b>	<b>169,517</b>	<b>6,090</b>	<b>–149,616</b>	<b>3,976</b>	<b>–</b>	<b>29,967</b>

On 31 December 2018, Von Roll had a credit facility of CHF 25 million with an interest rate of 1.5% which it had been fully drawn as of the reporting date. In the previous year, Von Roll had a credit facility of CHF 15 million which had been fully drawn.

### Convertible bonds

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 equity component remains unchanged under equity until bonds are converted. The difference between the carrying amount of the liability component and the redemption amount will be amortised over the residual term of the convertible bond 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.

The Von Roll Group has the following two outstanding convertible bonds:

in CHF 1,000	1.00 % conv.bond 2016–22	1.25 % conv.bond 2014–20
Liability component upon issue	127,695	52,816
Less proportional issue costs	– 560	– 712
Amortisation of difference between liability component/redemption amount	9,483	4,385
Conversion of bond into bearer shares	– 135,608	– 50,596
<b>Net liability component (carrying amount at balance sheet date)</b>	<b>1,010</b>	<b>5,893</b>
Open par value	<b>1,107</b>	<b>6,105</b>
Carrying amount of equity component upon issue	22,305	8,184
Less proportional issue costs	– 98	– 111
Less deferred taxes	– 1,935	– 747
<b>Net equity component upon issue</b>	<b>20,272</b>	<b>7,326</b>
Increase in equity through conversion until 2017	285	36,303
<a href="#">Increase in equity through conversion 2018</a>	135,323	14,293
Reversal of deferred tax upon conversion	1,139	365
<b>Equity component conversions</b>	<b>136,747</b>	<b>50,961</b>
Provisions for deferred tax upon issue	1,935	756
Cumulative reversal for deferred tax in income statement	– 774	– 373
Reversal for deferred tax conversion against equity	– 1,139	– 365
<b>Deferred tax liability</b>	<b>22</b>	<b>18</b>

### 1.00%-convertible bonds CHF 150,000,000 2016–2022

On 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, as far as necessary, from the authorised share capital (see Note 28 “Equity”).

The conversion price is set at CHF 1.00. The offering and redemption prices are set at 100 % each. The convertible bonds carry a coupon of 1.00 % per annum, payable annually in arrears. Existing shareholders have been granted 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 had 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 can have a dilutive effect on 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 bearer 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.

Bonds with a nominal value of CHF 148,570,000 were converted during the reporting period, meaning that 148,570,000 new bearer shares were created (previous year: nominal value of CHF 323,000/323,000 new bearer shares).

The income statement shows interest owed of TCHF 428 (previous year: TCHF 1,500) and a further TCHF 3,445 (previous year: TCHF 3,552) due to compounding, equating to an effective interest rate of 3.898 %.

### 1.25%-convertible bonds CHF 61,000,000 2014 – 2020

On 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 will be made available through the provision of new shares from the conditional capital (see Note 30 “Equity”).

The conversion price is set at CHF 2.40. The offering and redemption prices are set at 100 % each. The convertible bonds carry a coupon of 1.25 % per annum, payable annually in arrears. Existing shareholders have been granted 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 had 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 can have a dilutive effect on 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 bearer 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.

Bonds with a nominal value of CHF 14,895,000 were converted during the reporting period, meaning that 6,206,249 new bearer shares were created (previous year: no conversions).

The income statement shows interest owed of TCHF 163 (2017: TCHF 263) and expenses of TCHF 531 (2017: TCHF 513) due to compounding, equating to an effective interest rate of 4.035 %.

## 30. Provisions

in CHF 1,000	Staff related	Environmental restoration	Contingency & Commitments	Legal claims	Restructuring	Other	Total
<b>Balance at 1 January 2017</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>
Additions	1,054	–	656	626	475	1,255	4,066
Unused	– 44	– 57	– 493	– 864	– 1,831	– 423	– 3,712
Utilised	– 1,053	– 472	– 338	– 274	– 3,664	– 3,655	– 9,456
Changes in the scope of consolidation (Note 2)	–	–	– 406	–	–	– 181	– 587
Changes due to discontinued operations (Note 2)	–	–	–	–	–	– 168	– 168
Reclassifications	– 16	–	– 8	–	–	– 81	– 105
Currency translation	114	– 38	46	25	– 126	191	212
<b>Balance at 31 December 2017</b>	<b>1,794</b>	<b>8,554</b>	<b>492</b>	<b>862</b>	<b>2,251</b>	<b>2,699</b>	<b>16,652</b>
Of which current	–	–	198	668	589	2,519	3,974
Of which non-current	1,794	8,554	294	194	1,662	180	12,678
<b>Balance at 1 January 2018</b>	<b>1,794</b>	<b>8,554</b>	<b>492</b>	<b>862</b>	<b>2,251</b>	<b>2,699</b>	<b>16,652</b>
Additions	106	–	597	179	2,285	812	3,979
Unused	– 57	– 3,100	– 202	–	– 1,134	– 20	– 4,513
Utilised	– 36	–	– 392	– 71	– 451	– 767	– 1,717
Changes due to discontinued operations (Note 2)	–	–	–	–	–	237	237
Currency translation	– 52	– 9	– 16	– 45	– 42	– 39	– 203
<b>Balance at 31 December 2018</b>	<b>1,755</b>	<b>5,445</b>	<b>479</b>	<b>925</b>	<b>2,909</b>	<b>2,922</b>	<b>14,435</b>
Of which current	–	–	186	585	2,387	2,368	5,526
Of which non-current	1,755	5,445	293	340	522	554	8,909

### Staff-related

Staff-related provisions mainly include contributions to employee jubilee benefits and pension plans.

### Environmental provisions

Future requirements for Von Roll to take action in accordance with local laws and directives to remediate 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. The environmental provisions are reviewed and measured regularly by the management based on the information available at the time of the evaluation. After the reasons for recognising a provision no longer applied to two sites formerly owned by Von Roll in the financial year 2018, the management released the existing provisions for these sites of CHF 3.1 million through profit and loss in the reporting period.

Based on an analysis, Von Roll has concluded 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

Further information can be found in Note 12.

### 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.

## 31. Trade accounts payable

Trade accounts payable fall due as follows:

in CHF 1,000	31.12.2018	31.12.2017
Less than 1 month	9,476	10,228
Between 1 month and 3 months	4,069	4,884
Between 3 months and 12 months	3,053	3,994
More than 1 year	-	39
<b>Total</b>	<b>16,598</b>	<b>19,145</b>

Trade accounts payable comprise amounts denominated in the following currencies:

in CHF 1,000	31.12.2018	31.12.2017
CHF	1,352	3,262
EUR	8,996	9,512
GBP	273	484
USD	2,580	2,353
CNY	1,644	2,404
INR	467	512
Other currencies	1,286	618
<b>Total</b>	<b>16,598</b>	<b>19,145</b>

## 32. Other current liabilities and accruals

in CHF 1,000	31.12.2018	31.12.2017
Advances from customers	4,263	4,907
VAT and other excise duties payables	862	607
Social security payables	1,200	1,842
Payables to employees	420	871
Other deferred income and accruals	12,805	11,887
Other accounts payable	3,972	3,303
<b>Total</b>	<b>23,522</b>	<b>23,417</b>

In the reporting year, other current liabilities and accruals mainly comprised accruals for personnel, including annual leave, overtime and bonuses of TCHF 5,244 (2017: TCHF 5,425) and other accruals of TCHF 5,926 (2017: TCHF 6,462).

Advances from customers are to be qualified as contractual obligations in accordance with IFRS 15. No further significant contractual obligations were identified.



### 33. Contingent liabilities and guarantees

in CHF 1,000	31.12.2018	31.12.2017
Guarantees	1,034	4,562
Warranty obligations	58	48
<b>Total</b>	<b>1,092</b>	<b>4,610</b>

Contingent liabilities and guarantees fell by TCHF 3,518 year-on-year. This decrease is mainly related to the sale of the projects of Von Roll BHU Umwelttechnik GmbH, meaning that the guarantees no longer applied.

### 34. Purchase commitments

in CHF 1,000	31.12.2018	31.12.2017
For property, plant and equipment	634	490
<b>Total</b>	<b>634</b>	<b>490</b>

Von Roll also enters into further commitments for the purchase of goods and services as part of its normal operating activities.

### 35. Pledged assets

As at the reporting date of 31 December 2018, land and buildings amounting to CHF 44.8 million (2017: CHF 44.6 million) are pledged.

### 36. 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 also have 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 2018, the employer's contribution to defined contribution plans amounted to TCHF 250 (2017: TCHF 257).

### 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.

The conversion rate of the Swiss plan was reduced in the financial year 2018. The result of this plan reduction is reported in the line “Past service costs and curtailments”.

#### 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 2018, this rate was 1.0% (2017: 1.0%). It will also be left at 1.0% for 2019.

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 healthcare 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 healthcare 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 healthcare plan the main risk is the increase in healthcare 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 2018 by independent actuaries using the projected unit credit method. The fair value of the plan assets was calculated as at 31 December 2018 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	2018	2017
Discount rate	1.14 %	0.95 %
– Included discount rate Switzerland	0.75 %	0.60 %
Future increases in salaries	1.34 %	1.33 %
Future pension adjustments	0.07 %	0.33 %
Life expectancy at age 65		
Year of birth	1953	1952
– Men	26.37	22.26
– Women	24.54	24.32
Year of birth	1973	1972
– Men	24.33	24.18
– Women	22.50	26.22

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

in CHF 1,000	2018	2017
<b>Pension expense, recognised in profit and loss</b>		
Service cost		
– Current service costs	– 4,729	– 5,518
– Past service costs and curtailments	1,801	– 26
Net interest cost	– 491	– 603
Termination benefits	–	– 187
Administration expense incl. taxes	– 454	– 336
<b>Total defined benefit cost recognised in profit and loss</b>	<b>– 3,873</b>	<b>– 6,670</b>
<b>Remeasurement of the defined benefit liabilities and assets, recognised in OCI</b>		
Actuarial losses (-)/gains (+)		
– Arising from changes in demographic assumptions	– 56	178
– Arising from changes in financial assumptions	5,898	1,511
– Arising from experiences	47	2,792
Return on plan assets (excl. amounts in net interest)	– 13,632	12,335
<b>Total defined benefit cost recognised in OCI</b>	<b>– 7,743</b>	<b>16,816</b>
<b>Total defined benefit cost</b>	<b>– 11,616</b>	<b>10,146</b>

The changes in pension obligations can be summarised as follows:

in CHF 1,000	2018	2017
Balance of defined benefit obligation at 1 January	245,332	259,654
Current service cost	4,711	5,518
Contribution from plan participants	1,853	2,116
Past service gain	–	–
Plan amendments and -curtailments	– 1,801	26
Termination benefits	–	187
Interest expenses on the present value of the obligations	2,197	2,321
Benefit payments and net transferals through pension assets	– 17,534	– 19,114
Benefit payments by the employer	– 1,149	– 1,177
Actuarial losses	– 5,889	– 4,481
Currency translation	– 978	282
<b>Balance of defined benefit obligation at 31 December</b>	<b>226,742</b>	<b>245,332</b>

Movements in pension assets are as follows:

in CHF 1,000	2018	2017
Plan assets at 1 January	244,606	243,849
Interest income	1,706	1,718
Contributions from plan participants	1,853	2,116
Contributions from the employer	3,113	4,463
Benefit payments and net transferals through pension assets	– 17,534	– 19,114
Administrative expense paid from plan assets	– 454	– 336
Return on plan assets (excl. interest income)	– 13,650	12,335
Currency translation	– 152	– 425
<b>Plan assets at 31 December</b>	<b>219,488</b>	<b>244,606</b>

The net pension obligation recognised in the balance sheet can be summarised as follows:

in CHF 1,000	31.12.2018	31.12.2017
Post-employment benefit obligations	26,755	30,177
Pension plan assets	-19,501	-29,452
<b>Net obligation (+)/asset (-) recognised in the statement of financial position</b>	<b>7,254</b>	<b>725</b>

The amounts recognised in the balance sheet are as follows:

in CHF 1,000	31.12.2018	31.12.2017
Present value of funded obligations	209,803	224,624
Fair value of plan assets	-219,488	-244,606
<b>Overfunding</b>	<b>-9,685</b>	<b>-19,982</b>
Present value of unfunded obligations	16,939	20,708
<b>Net obligation (+)/asset (-) recognised in the statement of financial position</b>	<b>7,254</b>	<b>726</b>

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

in CHF 1,000	31.12.2018	31.12.2017
Equities		
- Quoted investments	80,125	103,985
Bonds		
- Quoted investments	76,827	83,428
Real estate	44,762	38,216
Alternative investments	8,478	9,229
Qualified insurance policies	4,025	4,985
Others	254	260
Cash	5,017	4,503
<b>Total plan assets</b>	<b>219,488</b>	<b>244,606</b>

The Swiss pension fund manage about 95 % of the total assets. The foundation board of the Swiss pension fund 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 shares in the Group with a market value of TCHF 799 at 31 December 2018 (2017: TCHF 847).

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	2018	2017
Active employees	93,424	100,626
Vested terminations	3,460	4,470
Pensioners	129,858	140,236
<b>Total defined benefit obligation</b>	<b>226,742</b>	<b>245,332</b>
Modified duration	13.2	13.5

The main factors influencing 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	31.12.2018		31.12.2017	
	+0.25%	-0.25%	+0.25%	-0.25%
Discount rate	-7,021	7,464	-7,797	8,281
Salary increase	315	-310	485	-476
Pension indexation	338	-326	420	-402

The healthcare 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	31.12.2018		31.12.2017	
	+1.00%	-1.00%	+1.00%	-1.00%
Cost trend assumption	-585	-474	643	-528

The employer's contribution payments are expected to amount to around TCHF 2,019 in 2019.

### 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 764 as at 31 December 2018 (2017: TCHF 791). The personnel expenses reported in the income statement for the financial year 2018 amount to TCHF 57 (2017: TCHF 71).

## 37. 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	2018	2017
<b>Compensation of the Board of Directors and key management personnel</b>		
Benefits	1,851	1,952
Post-employment benefits	215	263
<b>Total</b>	<b>2,066</b>	<b>2,215</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 52,797,233 shares of Von Roll Holding AG as of 31 December 2018 (2017: 30,269,067 shares). For detailed information, please refer to the Notes to the statutory financial statements of Von Roll Holding AG.

### 38. Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of the report by the Board of Directors.

### 39. Authorisation of the consolidated financial statements

These consolidated financial statements were approved for publication by the Board of Directors on 06 March 2019 and will be recommended for approval at the Annual General Meeting on 03 May 2019.

# 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 2018 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 36 – 85) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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.



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

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**Recoverability of goodwill**

Von Roll Holding discloses an amount of CHF 10 million in its consolidated financial statements as at 31 December 2018 under the position “Goodwill”. Goodwill is tested for impairment at least annually or when impairment indicators exist. Management performs impairment considerations on goodwill on the basis of a discounted cashflow model. For that purpose, future expected cashflows are discounted and the calculated recoverable amount (value in use) is compared to the carrying amount. The assessment on the carrying value of goodwill is highly dependent on management’s estimation of the projected future cash flows as well as on the discount rates. 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 18 “Goodwill” of the annual report.

In connection with the audit of the discounted cashflow models utilized, we focused on the assessment of management assumptions and estimates. We involved our valuation specialists in order to determine whether the valuation models comply with generally accepted valuation methods as well as the mathematical accuracy of the models. We also challenged the reasonableness of the discount rates. We tested the appropriateness of the future cashflow projection of management by substantiating them with the approved budget of the board and the five-year plan as well as by corroborating the projections with general and specific market expectations of the industry. We did not identify any material differences between management cash flow forecasts from last year and the actual result reached this year. We evaluated the sensitivity analysis of management to quantify the effects of negative developments in the assumptions, which could lead to impairments. We assessed the related disclosures in Note 18 “Goodwill”.

### 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 standalone financial statements of the Company, the remuneration report and our auditor's reports 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



Thomas Dettwiler  
Licensed Audit Expert

Zurich, 6 March 2019

## Income statement of Von Roll Holding AG for the year 2018

in CHF 1,000	Note	2018	2017
Operating income	3	1,717	1,821
Personnel expense		-1,545	-3,063
Operating expense	3	-13,489	-6,193
<b>Net operating result</b>		<b>-13,317</b>	<b>-7,435</b>
Income from investment		125	215
Other financial income		1,305	1,289
Other financial expense		-1,023	-13,656
<b>Net operating result before tax</b>		<b>-12,910</b>	<b>-19,587</b>
Exceptional expense	4	-574	-10,811
Exceptional income	5	3,100	-
<b>Result before tax</b>		<b>-10,384</b>	<b>-30,398</b>
Income tax		-39	-38
<b>Result after tax</b>		<b>-10,423</b>	<b>-30,436</b>

## Balance sheet of Von Roll Holding AG as at 31 December 2018

### Assets

in CHF 1,000	Note	31.12.2018	31.12.2017
<b>Current assets</b>			
Cash and cash equivalents	6	20,324	20,034
Receivables from Group companies		2,818	2,164
Receivables from third parties		471	404
Prepaid expenses and accruals		27	604
<b>Total current assets</b>		<b>23,639</b>	<b>23,207</b>
<b>Non-current assets</b>			
Loans with Group companies		63,409	70,775
Non-current securities		270	270
Investments in Group companies	7	260,687	261,261
<b>Total non-current assets</b>		<b>324,366</b>	<b>332,306</b>
<b>Total assets</b>		<b>348,005</b>	<b>355,513</b>

### Equity and liabilities

in CHF 1,000	Note	31.12.2018	31.12.2017
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables to Group companies		29,209	10,442
Payables to third parties		435	353
Current financial liabilities	8	2,000	15,000
Current provisions	9	513	495
Deferred income and accruals		2,312	2,168
<b>Total current liabilities</b>		<b>34,469</b>	<b>28,458</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	8	7,212	170,677
Non-current provisions	9	4,597	7,698
<b>Total non-current liabilities</b>		<b>11,809</b>	<b>178,375</b>
<b>Total liabilities</b>		<b>46,278</b>	<b>206,833</b>
<b>Equity</b>			
Share capital	10	35,654	20,177
Legal reserves			
– General legal reserves (from capital contribution)		60,102	60,102
– Capital contribution reserves		470,550	322,562
Legal retained earnings			
– General legal reserves		11,124	11,124
Optional reserves			
– General reserves		3,490	3,490
Net loss (-)/profit (+) shown in the balance sheet			
– Accumulated loss (-)/profit (+)		- 259,740	- 229,306
– Result after tax		- 10,423	- 30,435
Treasury shares	10	- 9,030	- 9,034
<b>Total equity</b>		<b>301,727</b>	<b>148,680</b>
<b>Total equity and liabilities</b>		<b>348,005</b>	<b>355,513</b>

# Notes to the statutory financial statements 2018 of Von Roll Holding AG

## 1. Introduction

The statutory financial statements of Von Roll Holding AG with registered office in 4226 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 8.

### 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 2018 consists largely of Group-internal invoicing. The operating expenses in 2018 consist mainly of Group-internal invoicing of CHF 7.0 million (2017: CHF 4.0 million) and issuance costs in connection with the conversion of the convertible bonds of CHF 1.6 million.

## 4. Exceptional expense

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

## 5. Exceptional income

The exceptional income comprises the release of the environmental provision for two sites formerly owned by Von Roll. As the reasons for recognizing a provision do not exist anymore in the reporting period, the management released the existing provisions for these sites of CHF 3.1 million through profit and loss.

## 6. Cash and cash equivalents

Cash and cash equivalents are held in the following currencies:

in CHF 1,000	31.12.2018	31.12.2017
CHF	8,607	18,339
EUR	2,470	100
GBP	571	687
USD	8,676	908
<b>Total</b>	<b>20,324</b>	<b>20,034</b>

As at the end of 2018, the balance of cash and cash equivalents subject to a drawing restriction amounted to CHF 0.0 million (2017: CHF 4.0 million).

## 7. Investments in Group companies

Name and registered office	Share capital currency	Share capital amount (in 1,000)		Capital and voting rights (in %)	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
Von Roll Management AG, Breitenbach (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, Breitenbach (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	100.00 %	100.00 %
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 %

## 8. Financial liabilities

### 1.00%-convertible bond CHF 150,000,000 2016–2022

On 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, as far as necessary, from the authorised share capital.

The conversion price is set at CHF 1.00. The offering and redemption prices are set at 100 % each. The convertible bonds carry a coupon of 1.00 % per annum, payable annually in arrears. Existing shareholders have been granted 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 can have a dilutive effect on 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 bearer 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.

Bonds with a nominal value of CHF 148,570,000 in total were converted during the reporting period, meaning that 148,570,000 new bearer shares were created (previous year: nominal value of CHF 323,000/323,000 new bearer shares).

#### 1.25%-convertible bond CHF 61,000,000 2014 – 2020

On 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 will be made available through the provision of new shares from the conditional capital.

The conversion price is set at CHF 2.40. The offering and redemption prices are set at 100 % each. The convertible bonds carry a coupon of 1.25 % per annum, payable annually in arrears. Existing shareholders have been granted 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. 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 can have a dilutive effect on 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 bearer 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.

Bonds with a nominal value of CHF 14,895,000 were converted during the reporting period, meaning that 6,206,249 new bearer shares were created (previous year: no conversions).

## 9. Provisions

The provisions include provisions for personnel and social security and provisions for environmental restoration. Both the amount and composition of the current provisions remain the same as the previous year. Non-current provisions fell to CHF 4.6 million (2017: CHF 7.7 million).

## 10. Equity and treasury shares

	31.12.2018	31.12.2017
Number of issued shares	356,544,804	201,768,555
Nominal value in CHF	0.10	0.10
<b>Share capital in CHF</b>	<b>35,654,480</b>	<b>20,176,856</b>

### Share capital

The share capital is divided into 356,544,804 bearer shares with a par value of CHF 0.10 per share.

In the reporting year, the share capital was increased by a nominal value of TCHF 15,478 (previous year: TCHF 32) through the conversion of the two convertible bonds. The amount by which the carrying amount of the pro rata liability component exceeds the par value of the new shares was credited to capital reserves.

### Treasury shares

As at 31 December 2018, Von Roll Holding AG, holds 7,057,464 (2017: 7,014,048) treasury shares. This represents a shareholding of 1.98 % (2017: 3.48 %) of the share capital issued.



### Conditional capital

The Annual General Meeting on 24 April 2018 increased the existing conditional capital of up to TCHF 7,540 as at 31 December 2017 by TCHF 2,548 to up to TCHF 10,088. Through the conversion of the two bonds in the reporting period, the amount of conditional capital was reduced by TCHF 9,723 to up to TCHF 365 in the reporting year. The Board of Directors is thus entitled to increase the company's share capital by up to TCHF 365 by issuing a maximum of 3,650,770 fully paid-up bearer shares to be subscribed for by exercising conversion rights granted in connection with debentures or similar bonds of Von Roll Holding AG or Group companies. This represents 1.02% of the existing share capital. 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. The exact provisions are specified in Section 2 Article 5a of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/).

### Authorised capital

The existing authorised capital as at 31 December 2017 amounting to TCHF 9,239 expired on 13 April 2018. The Annual General Meeting on 24 April 2018 created new authorised capital of up to TCHF 8,000. As some of the 1.00%-convertible bond for 2016 – 2022 was converted, the amount of authorised capital was then reduced by TCHF 5,754 to up to TCHF 2,246. This entitles the Board of Directors to increase the company's share capital by up to TCHF 2,246 by issuing a maximum of 22,457,258 fully paid-up bearer shares at any time until 24 April 2020. This represents 6.3% of the existing share capital. 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 and make use of subscription rights which are not exercised in another way in the interest of the company. The Board of Directors is entitled to restrict or suspend shareholders' subscription rights for certain transactions (such as acquisitions). The exact provisions are specified in Section 2 Article 5b of the Articles of Association, which can be viewed at [www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/](http://www.vonrollgroup.com/en/corporate-governance/corporate-governance1/articles-of-incorporation/).

As of the reporting date, Von Roll Holding AG held 7,057,464 treasury shares (2017: 7,014,048) which were valued at a price of CHF 1.28 (2017: CHF 1.29). During the reporting period, the company broke even on the sale of treasury shares (2017: broke even on the sale of treasury shares), which is included in other financial expense. In the financial year 2018, Von Roll Holding AG acquired 1,359,358 (2017: 889,514) treasury shares at an average price of CHF 1.29 (2017: CHF 1.28), The highest price for the purchased shares was CHF 1.46 (2017: CHF 1.67), while the lowest price at which treasury shares were acquired was CHF 1.00 (2017: CHF 0.56). In 2018, 1,315,942 (2017: 965,067) treasury shares were sold at an average price of CHF 1.29 (2017: CHF 1.28). This figure includes sales at a high of CHF 1.48 (2017: CHF 1.72) and a low of CHF 1.03 (2017: CHF 0.58).

## 11. Major shareholders (Art. 663c CO)

As of 20 November 2008, the von Finck group of shareholders (comprising August von Finck, Francine von Finck, August François von Finck, Maximilian von Finck and Maria Theresia von Finck, together with Von Roll Holding AG [treasury shares]) declared a shareholding of 66.75%, which corresponds to 123,334,009 bearer shares (out of a total of 184,778,889 bearer shares issued as of 20 November 2008).

There were no disclosure notifications regarding shareholdings of other significant shareholders or groups of shareholders in the reporting year. For details about disclosure notifications, please refer to the SIX Swiss Exchange website ([www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)).

## 12. Contingent liabilities to third parties

in CHF 1,000	31.12.2018	31.12.2017
Guarantees	983	6,950

As of 31 December 2018, total guarantees amounted to TCHF 983 (2017: CHF 7.0 million). The decrease is mainly related to the sale of the projects of Von Roll BHU Umwelttechnik GmbH, Germany, meaning that the guarantee obligations no longer applied.

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 2018.

### 13. 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	31.12.2018	31.12.2017
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	46,328,166	23,800,000
Dr. Christian Hennerkes Delegate of the Board of Directors	3,600,000	3,600,000
Artur Lust CFO	2,400,000	2,400,000
<b>Total</b>	<b>52,797,233</b>	<b>30,269,067</b>

As of 31 December 2018, no convertible bonds of Von Roll Holding AG were held by the Board of Directors or the above-mentioned management.

In the previous year, 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 of the end of 2017, he also held 8,170 of the convertible bonds issued in 2014 (ISIN: CH0245239287), which can be converted into 3,404,193 bearer shares.

### 14. Further information

#### Full-time positions

In the reporting year, as in the previous year, fewer than 10 members of staff were employed by Von Roll Holding AG.

#### Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of the report by the Board of Directors which are subject to a reporting obligation.

## Allocation of accumulated results

in CHF 1,000	31.12.2018	31.12.2017
Accumulated loss (-)/profit (+)	- 259,740	- 229,305
Result after tax	- 10,423	- 30,435
<b>Net loss shown in the balance sheet</b>	<b>- 270,163</b>	<b>- 259,740</b>
Distribution of dividend	-	-
Balance to be carried forward	- 270,163	- 259,740

After the allocation of the accumulated result, the equity is composed as follows:

in CHF 1,000	31.12.2018	31.12.2017
Share capital	35,654	20,177
General legal reserves (from capital contribution)	60,102	60,102
Capital contribution reserves	470,550	322,562
General legal reserves	11,124	11,124
General reserves	3,490	3,490
Accumulated loss	- 270,163	- 259,741
Treasury shares	- 9,030	- 9,034
<b>Equity</b>	<b>301,727</b>	<b>148,680</b>

Breitenbach, 6 March 2019

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 2018 and the income statement and notes for the year then ended.

In our opinion the financial statements as at 31 December 2018 (pages 90 – 97) 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. We have determined that there are no key audit matters to communicate in our report.

### 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



Thomas Dettwiler  
Licensed Audit Expert

Zurich, 6 March 2019

# 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 multilayer 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 (1kV), 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:



### 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.

**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 machined parts for numerous branches of industry.



### 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.



### 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 in accordance with UL and IEC standards.



### Training

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

# Five-year overview

in CHF 1,000	2018	2017	2016	2015	2014
Order intake	335,890	336,141	326,869	356,603	416,382
Net sales	321,387	332,357	319,192	354,806	418,844
Number of employees (FTE)	1,264	1,536	1,703	2,002	2'248
EBITDA from continuing operations	25,117	20,415	4,119	-6,051	-11,912
Depreciation, amortisation and impairments	-20,759	-15,940	-21,448	-16,984	-20,583
EBIT	4,358	4,475	-17,329	-23,035	-32,495
Cash flow from operating activities	21,231	5,307	-10,453	-14,359	3,032
Capital expenditures	7,798	9,258	27,674	29,499	35,480
Current assets	183,977	174,267	138,280	217,540	277,142
Total assets	350,228	379,561	370,043	412,093	474,350
Current liabilities	70,425	68,696	70,632	227,593	88,147
Non-current liabilities	46,819	203,714	202,424	112,502	261,526
Equity	232,984	107,151	96,987	71,998	124,677
Equity ratio (%)	67%	28%	26%	18%	26%
Number of issued shares	356,544,804	201,768,555	201,445,555	184,778,889	184,778,889
EBITDA per share <sup>1</sup>	0.07	0.10	0.02	-0.03	-0.06
EBIT per share <sup>2</sup>	0.02	0.02	-0.10	-0.13	-0.18
Cash flow from operating activities per share <sup>3</sup>	0.15	0.03	-0.06	-0.08	0.02
Equity per share (CHF) <sup>4</sup>	1.20	0.55	0.54	0.41	0.70
Dividends per share (CHF)	-	-	-	-	-

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

<sup>2</sup> EBIT/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

## Listing information

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

## Financial calendar

13 March 2019:  
Announcement of  
results for the year 2018

3 May 2019:  
Annual General Meeting,  
Lucerne, Switzerland

21 August 2019:  
Announcement of  
results for the first half of 2019

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## Stock market data

in CHF	2018	2017
Number of issued shares	356,544,804	201,768,555
Price high (in CHF)	1.49	1.74
Price low (in CHF)	0.98	0.56
Price on balance sheet date (in CHF)	1.32	1.40
Market capitalisation (units of CHF 1,000)	470,639	282,476
Trading volume (daily average)	61,761	161,270

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#### **Stock exchange listing**

SIX Swiss Exchange (symbol: ROL)  
Security number: 324.535  
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The Annual Report is available on the Internet at [www.vonroll.com](http://www.vonroll.com)

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