

ANNUAL REPORT 2020

**QUALITY
SPEED
EASINESS**



530.6 MILLION

SALES

94.1 MILLION

EBIT

122.9 MILLION

OPERATING

CASH FLOW

KEY FIGURES

in CHF millions, unless stated otherwise

	2020	2019	2018	2017	2016
Order intake/sales					
Total order intake	547.8	546.5	592.6	458.1	405.2
Rollers	106.0	110.1	108.0	105.8	93.5
Drives	156.5	172.4	170.9	146.7	123.6
Conveyors & Sorters	221.5	223.2	220.5	142.6	120.9
Pallet Handling	46.6	54.0	60.5	55.6	63.5
Total sales	530.6	559.7	559.9	450.7	401.5
Profitability					
EBITDA	115.4	96.1	93.2	66.3	65.7
in % of sales	21.7	17.1	16.6	14.7	16.4
EBIT	94.1	72.3	69.4	47.4	47.9
in % of sales	17.7	12.9	12.4	10.5	11.9
Result	71.7	56.0	51.8	39.1	36.2
in % of sales	13.5	10.0	9.3	8.7	9.0
Cash flow					
Operating cash flow	122.9	99.6	67.4	46.2	36.8
in % of sales	23.2	17.8	12.0	10.3	9.2
Free cash flow	74.0	66.9	40.9	20.1	18.0
in % of sales	13.9	12.0	7.3	4.5	4.5
Total investments	51.3	33.6	28.6	25.4	19.5
Balance sheet (as at 31.12.)					
Total assets	468.8	435.1	417.6	355.3	324.8
Goodwill	16.4	17.1	17.3	17.6	17.3
Net financial assets	92.2	76.9	52.0	37.1	38.0
Equity	312.0	304.0	284.8	261.7	233.1
Equity ratio (equity in % of total assets)	66.5	69.9	68.2	73.6	71.8
Return on equity yield (in %)	23.3	19.0	19.0	15.8	16.4
Other key figures					
RONA (return on net assets in %)	30.4	22.6	20.9	16.5	17.1
Average number of employees (FTE)	2,206	2,284	2,198	2,067	1,892
Sales per employee (in CHF thousands)	241	245	255	218	212
Productivity (added value/total personnel expenses)	2.30	2.09	2.17	2.02	2.11

Interroll uses alternative performance figures. These alternative performance figures can be found on the Interroll homepage under "Investor Relations" (www.interroll.com).

ABOUT INTERROLL

The Interroll Group is the leading global provider of material handling solutions. The company was founded in 1959 and has been listed on the SIX Swiss Exchange since 1997. Interroll provides system integrators and OEMs with a wide range of platform-based products and services in these categories: Rollers (conveyor rollers), Drives (motors and drives for conveyor systems), Conveyors & Sorters as well as Pallet Handling (flow storage systems). Interroll products and solutions are used in express and postal services, e-commerce, airports, the food & beverage industry, fashion, automotive sectors and many other manufacturing industries. Among the end users are leading brands such as Amazon, Bosch, Coca-Cola, DHL, Nestlé, Procter & Gamble, Siemens, Walmart and Zalando. Headquartered in Switzerland, Interroll has a global network of 34 companies with sales of CHF 530.6 million and around 2,300 employees (average headcount in 2020).

www.interroll.com

**28,000
CUSTOMERS
AROUND
THE WORLD**

**34
COMPANIES
AROUND
THE WORLD**

**2,300
EMPLOYEES
AROUND
THE WORLD**

INTERROLL PRODUCT GROUPS

ROLLERS



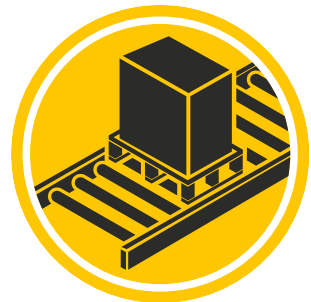
DRIVES



CONVEYORS & SORTERS



PALLET HANDLING



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HIGHLIGHTS OF THE 2020 FINANCIAL YEAR



SUCCESSFUL IN ASIA-PACIFIC WITH MODULAR CONVEYOR PLATFORM (MCP)

PRODUCTIVITY FOR THAI THIRD-PARTY LOGISTICS

Intermat, one of the leading system integrators and member of the worldwide Rolling On Interroll network, has developed for 7-Eleven a seamless material flow solution with up to 15,000 stock-keeping units (SKUs) and up to to 40,000 cartons shipped daily. At the heart of the system: the Interroll Modular Conveyor Platform (MCP).

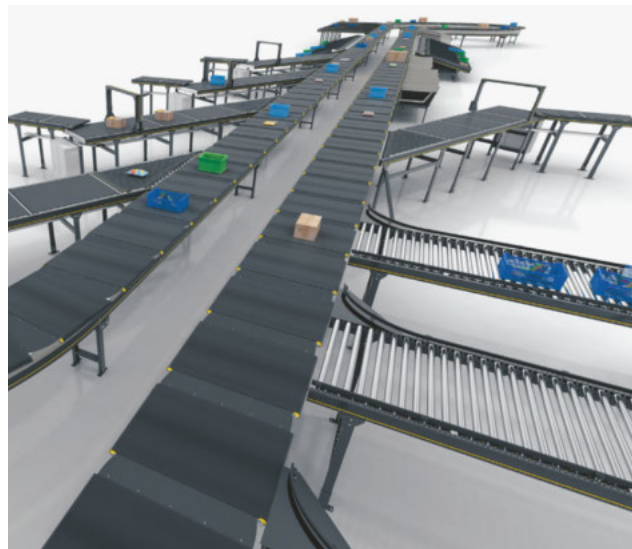
PRODUCTION CAPACITY FOR ASIA-PACIFIC

Interroll prepares for future growth in Asia-Pacific in 2022, when production will be transferred to a new and larger site in the Suzhou area. A total of 181 million CNY (CHF 25 million) will be invested into the new, wholly-owned plant located on the site.

VIRTUAL EVENTS

In March, Interroll announces early cancellation of its LogiMAT participation and sets a new standard in the material handling industry with its own virtual trade fair.

Q1



INTERROLL ENTERS HIGH-PERFORMANCE SORTER MARKET SEGMENT

SUCCESSFUL START FOR HIGH-PERFORMANCE CROSSBELT SORTER

With the High-Performance Crossbelt Sorter (HPCS), Interroll is now also active in the high-performance segment of sorting systems. Already in 2020, larger projects with the new solution have been realized.

DELIVERY CAPABILITY INTACT, EMPLOYEES PROTECTED

During the COVID-19 crisis, Interroll reacts quickly and immediately introduces protective measures for employees. The decentralized supply chains, as well as the excellent delivery performance of the Interroll plants even in times of crisis enable the company to gain market shares.

HEINZ HÖSSLER BECOMES NEW CFO

In April, Heinz Hössli takes over the position of Group CFO and member of the Group Management at Interroll. He had been Chief Financial Officer / Vice President Advanced Materials of the Bühler Group (Uzwil, Switzerland) since 2012.

Q2



IN TOUCH WITH THE CUSTOMER THROUGHOUT THE PANDEMIC

CUSTOMER PROXIMITY THROUGH LIVESTREAMS

With travel restrictions related to the COVID-19 pandemic keeping customers out of test centers and showrooms, Interroll organized a series of excellently attended livestreams for customers and media around the globe.

SECOND PLANT IN ATLANTA STARTS PRODUCTION

Interroll closes the construction of the second plant on the company premises in Hiram near Atlanta, Georgia, United States. Through the investment amounting to USD 11 million, Interroll is significantly increasing manufacturing capacity for orders from the Americas region.

MAJOR ORDER IN THE UNITED STATES

Interroll announces the receipt of a major order from a leading e-commerce platform in the United States. This entails the supply of vertical crossbelt sorters for 12 sites and amounts to a double-digit million US dollar volume.

Q3



CAPACITY EXPANSION MAKES PROGRESS

MOSBACH SITE TAKES SHAPE

In order to be optimally prepared for future requirements, Interroll builds a plant in Mosbach (greater Heidelberg area, Germany). More than EUR 40 million will be invested. Production is expected to start in August 2021.

MAJOR ORDER FROM LEADING RETAILER

Interroll receives a major order from a well-known supermarket chain for more than 9 kilometers of Interroll Modular Conveyor Platform (MCP), including a record number of RollerDrive EC5000 units for a new construction project in Germany.

OUTSOURCING IN TREND

The results of Interroll's study on outsourcing and core competencies are presented in the renowned German business newspaper, *Handelsblatt*, and numerous other trade media with focus on the manufacturing sector.

Q4

MASTERING CRISES EXCELLENTLY – AND GROWING FROM THEM



Paul Zumbühl, Chief Executive Officer

Dear shareholders, valued customers, employees and business partners,

In a very challenging fiscal year 2020, we were able to build on our strengths and consistently prepared ourselves to unlock growth potential.

In this demanding environment, we were able to slightly increase sales (+0.9% in local currencies), but due to the strong Swiss franc, sales decreased to CHF 530.6 million (–5.2% compared to the previous year). Order intake improved by +6.6% in local currencies and by +0.3% in consolidated currency to CHF 547.8 million. Thereby, an increasing demand in the markets was observed in the second half of the year.

We have risen to the challenges of the global COVID-19 crisis. Highly motivated employees, strong customer loyalty, the market's confidence in our high delivery readiness, and fast delivery times even in times of crisis, and our global presence: These strengths are no coincidence but the result of our long-term strategy and the company-wide realization of our "Climate of Excellence". Because we have always raised the bar for ourselves even in good times, in our productivity, in our cost discipline, in our innovative strength, and in creating added value for our customers. We are in a very solid position today. For example, despite the impact of the COVID-19 pandemic, Interroll was able to book orders for major projects in the United States in July and in Germany in September.

The Group is cautiously optimistic about the new year and anticipates positive momentum in the global markets for material-handling solutions over the course of

the year. To take advantage of these opportunities, we are expanding our production network: The second plant in Hiram, Atlanta, United States, has been in operation since mid-2020, and with the planned third-quarter 2021 opening of the Mosbach plant in southern Germany, we are significantly increasing our capacity for conveyors and pallet handling solutions in the Europe, Middle East and Africa region. Already under construction, our Suzhou, China, plant will start operations in the third quarter of 2022.

We are therefore creating the conditions for the sustainable growth of our business around the globe.

We have further enhanced our reputation and reconfirmed our customers' confidence in our performance: To maintain a close exchange with the market during the crisis, we responded immediately with video messages (for example, the video titled, "Whatever it takes!") and created new communication channels with virtual formats and will continue to use these in the future. Our substantial investments over the past 10 years in the global networking of our information technology (IT) infrastructure and the harmonization of our digital production and business processes has decisively benefited us with a strengthened customer connection. Our innovative solutions for smart logistics, such as the RollerDrive EC5000, were able to realize their full potential in 2020. Our capacity and cost management in all 16 production units also contributed significantly to the excellent result.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased significantly to CHF 115.4 million (previous year: CHF 96.1 million). The



Urs Tanner, Chairman of the Board of Directors

EBITDA margin increased to 21.7% (previous year: 17.1%). Earnings before interest and taxes (EBIT) reached CHF 94.1 million (+30.1% above previous year with CHF 72.3 million).

Net profit increased strongly by 28.0% to CHF 71.7 million (previous year: CHF 56.0 million). The net profit margin reached 13.5% (previous year: 10.0%). Thanks to good working capital management, operating cash flow increased by 23.4% to CHF 122.9 million (previous year: CHF 99.6 million). Gross capital expenditures amounted to CHF 51.3 million (previous year: CHF 33.6 million). Nevertheless, free cash flow increased to CHF 74.0 million (previous year: CHF 66.9 million).

UNIQUE COMBINATION OF STRENGTHS

By bundling our strengths, we now have a unique selling point in the market and are increasingly perceived as an authority that plays a key role in shaping and supporting the long-term development of the material-handling industry.

This reputation gain benefited us: We were able to conquer market share in key areas, especially during the current crisis. Our clear prospects offered by our technology platform as well as our high pace of innovation also make it easy for new customers to rely on Interroll as their partner of choice for material handling in the long term.

In the first half of 2020, this was impressively demonstrated with the launch of the High-Performance Cross-belt Sorter (HPCS), which opens a new market segment for us in sorting systems. For the first time, a solution was launched simultaneously in all global regions.

With the Modular Pallet Conveyor Platform (MPP) launched in 2019 and supplemented by stacker crane and transfer car in 2020, we have seamlessly linked processes involving automated storage and automated conveying.

SUCCESSFULLY INTO THE FUTURE

Customer expectations are growing as digitalization advances. We are therefore actively driving further innovations in smart logistics. Our Interroll Innovation Project & Development Center (IPDC) is providing important impetus in the development of our global innovations, which will deepen and strengthen our technology platform in the long term. With the acquisition of MITmacher GmbH and the establishment of the new Global Center of Excellence (CoE) Software & Electronics in Linz, Austria, we were able to add another important element to our success strategy in this area in January 2021.

We see the challenges of the COVID-19 crisis as momentum with interesting market prospects. In the future, we will continue to rely on the long term and continuity as guarantors of success: The announced replacement at the top of the Interroll Board of Directors, which will be proposed at the 2021 Annual General Meeting, builds on stable leadership and high reliability. With Ingo Steinkrüger, Interroll will be led in the future by a CEO with a unique expertise who fits perfectly with the corporate culture and has a clear view of our customers, our growth, and the evolution of our technology platform.

Shareholders participate from the positive business development. A dividend of CHF 27.00 per share will be proposed at the Annual General Meeting on May 7, 2021 (previous year: CHF 22.50 per share). On the same occasion, the election of Susanne Schreiber to the Board of Directors of Interroll Holding AG will be proposed. Paolo Bottini, member of the Interroll Board of Directors since 2003, will step down.

We thank you for the great trust you have placed in us in our current positions over the past years and look forward to standing for election to new areas of responsibility at the Annual General Meeting on May 7, 2021, and, with your approval, to be able to help shape the future of Interroll.

Sant'Antonino, Switzerland, March 12, 2021

Urs Tanner
Chairman of the
Board of Directors

Paul Zumbühl
Chief Executive Officer

GROUP MANAGEMENT

PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF GROUP MANAGEMENT



PAUL ZUMBÜHL
(born 1957, Swiss)

*Chief Executive Officer
(CEO)*

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



HEINZ HÖSSLI
(born 1969, Swiss)

*Chief Financial Officer
(CFO)*

Heinz Hössli graduated as Certified Public Accountant (CPA) from EXPERTsuisse, Zurich, Switzerland, and holds a Global Executive MBA from Duke's Fuqua School of Business in Durham, United States, with recognition as a Fuqua Scholar. His previous roles included Chief Financial Officer / Vice President Advanced Materials (since 2012) at Bühler Group as well as Vice President Finance & Controlling Advanced Materials and Chief Financial Officer (CFO) of the Business Area Die Casting (from 2009 to 2011). From 2002 to 2009, Mr. Hössli held a number of leadership roles as CFO of Bühler subsidiaries and spent eight years in the United States and Mexico. Before joining Bühler in 1999 as Internal Group Auditor, he worked as Auditor for Ernst & Young, Zurich. In April 2020, he joined the Interroll Group as Chief Financial Officer (CFO).



JENS STRÜWING
(born 1969, German)

*Executive Vice President
Products & Technology*

Jens Strüwing graduated in production technology (production systems and materials handling) from Karlsruhe University, Germany (master's degree, Dipl. Ing). In his role as Director of Global Operations at Mahle Aftermarket GmbH, he was responsible for the operations of 18 production and logistics sites globally as well as for Mahle Consulting. Previous to this, Strüwing was responsible for the planning of logistical processes as well as standardisation and automation of production processes at Mahle GmbH's pistons and engine components product line. This followed various senior management positions with focus on logistics and production at the Daimler Group and at Fairchild Dornier GmbH. In 2018, he joined Interroll Group as Executive Vice President Products & Technology and member of Group Management.



MAURIZIO CATINO

(born 1976, Italian)

*Executive Vice President
Global Sales & Solutions*

Maurizio Catino graduated in Electronic engineering at the Politecnico of Turin in 2002. He looks back on several years of experience in the automotive business, starting in the FCA group where he was involved in different projects related to cost analysis and production optimization. Catino started his “sales career” afterwards in the automation business as global key account manager for big automotive end users for a Japanese company. In 2013, he joined the Interroll Group and opened successfully the new Italian branch as General Manager followed by the position of Global Industry Manager for the automotive and tire market. From 2018, Catino held the position of Senior Director Global Sales & Services. In July 2020, he took over the role of Executive Vice President Global Sales & Solutions and member of Group Management.



JENS KAROLYI

(born 1970, German)

*Senior Vice President
Corporate Marketing &
People Development*

Jens Karolyi studied business administration at the Universities of Bamberg and Giessen, Germany. He started his career with Ericsson where he held various management positions in Marketing, Branding and Communications and was based in Stockholm, Zurich and Düsseldorf. In 2007, he was promoted to Vice President Marketing & Communications Northern Europe. In 2011, he joined Interroll Group as Vice President Corporate Marketing and member of the Interroll Group Management. In February 2015, he took over additional responsibilities as Senior Vice President Corporate Marketing & Culture, and in 2020 as Senior Vice President Corporate Marketing & People Development. He also heads the Interroll Academy.



DR. BEN XIA

(born 1966, Chinese)

*Executive Vice President
Asia-Pacific*

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



RICHARD KEELY

(born 1972, American)

*Executive Vice President
Americas*

Richard Keely majored in Industrial Engineering at North Carolina State University and completed the AMP program at Harvard Business School. He has more than 20 years of manufacturing experience in operations and consulting. He began his career in the automotive industry and later transitioned to strategic consulting. He joined the Interroll team in 2006 as Vice President of Manufacturing/General Manager for Interroll Wilmington. In 2011, he was promoted to Senior Vice President of Operations for the Americas. In 2018, he joined Interroll Group as Executive Vice President Americas and is a member of Interroll Group Management.

INTERROLL ON THE CAPITAL MARKET

INVESTOR INFORMATION

Interroll share information		2020	2019	2018	2017	2016
Number of registered shares		854,000	854,000	854,000	854,000	854,000
Number of weighted average shares outstanding		834,532	840,246	844,801	849,934	850,634
Number of shares outstanding at 31.12.		825,380	837,441	842,152	847,099	851,559
Share price high	CHF	2,785.00	2,540.00	2,020.00	1,475.00	1,172.00
Share price low	CHF	1,160.00	1,980.00	1,340.00	1,097.00	707.00
Year-end share price at 31.12.	CHF	2,695.00	2,175.00	1,452.00	1,443.00	1,110.00
Market capitalization at 31.12.	CHF million	2,175.00	1,821.43	1,222.58	1,222.36	945.01
Par value at 31.12.	CHF	1.00	1.00	1.00	1.00	1.00
Dividend	CHF	27.00	22.50	22.00	16.50	16.00
Earnings per weighted average share outstanding	CHF	85.97	66.69	61.32	45.95	42.57
Payout ratio		31.41	33.74	35.88	35.91	37.59
P/E ratio		31.35	32.61	23.68	31.40	26.07
Cash flow per weighted average share outstanding	CHF	147.32	118.56	79.79	54.39	43.30
Equity per share outstanding at 31.12.	CHF	378.00	363.03	338.23	308.91	273.72

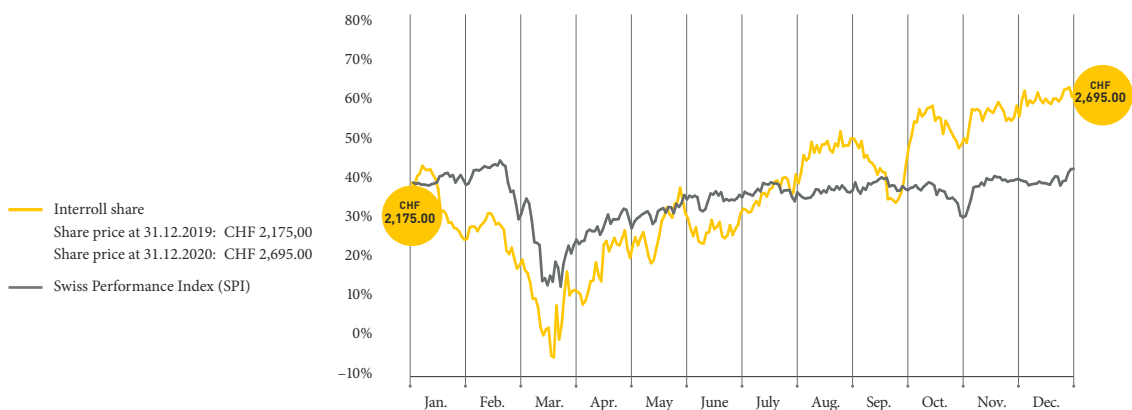
IPO: 1997 | Stock exchange: SIX Swiss Exchange |

Market segment: Main Standard | Index: SPI |

ISIN: CH0006372897 | Security identification symbol: INRN |

Security identification number: 637289

Share price performance of Interroll relative to Swiss Performance Index (SPI) in 2020



SWISS STOCK MARKETS CLEARLY UP

After an interim low in March 2020, the stock market year 2020 was positive and ended with a clear plus.

The Swiss stock markets gained slightly: The blue chip barometer Swiss Market Index (SMI) stood at 10,704 points at the end of December. This resulted in an annual gain of 0.8%.

The broad Swiss Performance Index (SPI) rose to 13,328 points, up 3.8% from its 2019 close.

THE INTERROLL SHARE IN THE PLUS

Company-specific growth drivers of the Interroll Group in the 2020 financial year were numerous project orders, innovative products and services, consistent cost and investment management, and productivity increases.

With a closing price of CHF 2,695.00 on December 31, 2020, Interroll shares were 23.9% higher than the 2019 year-end price (CHF 2,175.00).

Interroll shares therefore again outperformed the Swiss indices. The Group's market capitalization significantly exceeded CHF 2.2 billion.

THE FREE FLOAT IS INCREASING

Approximately 16% of Interroll shares (December 31, 2020: 18%) are held by the remaining founding families. The members of the Group Management and their relatives control a total of 2.8% (2019: 2.8%) of the shares as at December 31, 2020.

The free float as defined by the SIX Swiss Exchange was therefore 84% as of December 31, 2020 (2019: 82%).

Information on significant shareholders can be found on page 126.

SHAREHOLDER BASE REMAINS INTERNATIONAL

In 2020, more shareholders domiciled in Switzerland bought Interroll shares. As of December 31, 2020, 56% of the registered shareholders resided in Switzerland, compared to 52% as of December 31, 2020.

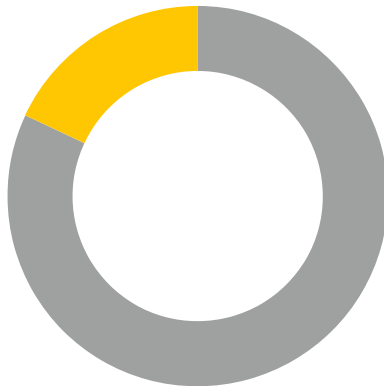
At the same time, the number of non-registered shareholders remained at the previous year's level of 37%.

MORE INFORMATION FOR INVESTORS

On our website, www.interroll.com, we publish information about the Interroll share. Financial reports, presentations, and other documents are available for download.

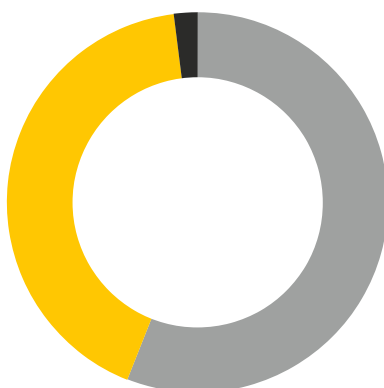
Interested parties can register for our distribution list or request our regular publications. In addition, all important financial market dates can be found there. A digitalized report is now available at www.interroll.com/annual-report.

Shareholder structure at December 31, 2020



■ Free float: 82%
■ Fixed shareholding: 18%

Geographical distribution of the identified shareholder base according to the share register at December 31, 2020



■ Switzerland: 56%
■ EMEA region (excluding Switzerland): 42%
■ Rest of the world: 2%

CONSISTENT ORIENTATION OF THE BUSINESS MODEL TOWARDS SUSTAINABLE AND GLOBAL GROWTH

PRODUCT PLATFORMS, KEY MARKETS AND MARKET TRENDS

As a leader in innovation and technology, Interroll stands for high-quality key products and services in internal logistics worldwide. Our customer solutions for the daily challenges in material handling are based on globally available product platforms which are focused on:



ROLLERS



DRIVES



CONVEYORS & SORTERS



PALLET HANDLING

The company supplies more than 28,000 customers worldwide. In the key markets, these mainly include regionally oriented plant manufacturers, OEMs and global systems integrators:



COURIER, EXPRESS, PARCEL



AIRPORT



FOOD, BEVERAGE



DISTRIBUTION, WAREHOUSE

Further global growth of the Interroll Group focuses on clearly identifiable market trends that will continue to show potential in the future:

- The global e-commerce and retail shopping boom.
- Liberalisation and regionalisation in the courier, express and parcel markets.
- More stringent hygiene regulations and standards in the food industry, which require solutions of a correspondingly high quality.
- The decentralisation of distribution centers in order to shorten delivery times.
- Increasing product variety and shortened production life cycles require increased flexibility and individualisation when producing, warehousing and commissioning goods in the flow of materials.
- Increased productivity in the industry and the related rise in efficiency in storage systems.
- In the long-term steadily growing passenger traffic in international air travel and the related investments in the modernization and expansion of airport capacity and security technology for passenger and luggage transport.

ORGANISATION, STRATEGY AND SUCCESS FACTORS

The Interroll Group consists of a single business unit. All products are sold in all markets via the respective regional sales companies, whereby the specific requirements of the customer groups of plant manufacturers, OEMs, systems integrators as well as end customers are met with a tailor-made variety of products and advice.

The Interroll Academy is responsible for excellent training and professional development of all employees of the Interroll Group worldwide. It also offers training and courses for customers. The Interroll Innovation Projects and Development Center (IPDC) develops new products, processes and technologies. The production plants concentrate as global competence centers (Centers of Excellence) on the development and manufacture of specific product groups. In order to quickly meet customer needs in all parts of the world, regional production centers (Regional Centers of Excellence) have been built which are under the direction of the global competence centers. Assembly plants (local assembly) are supplied by production plants with semi-finished products and assemble products for the individual local markets.

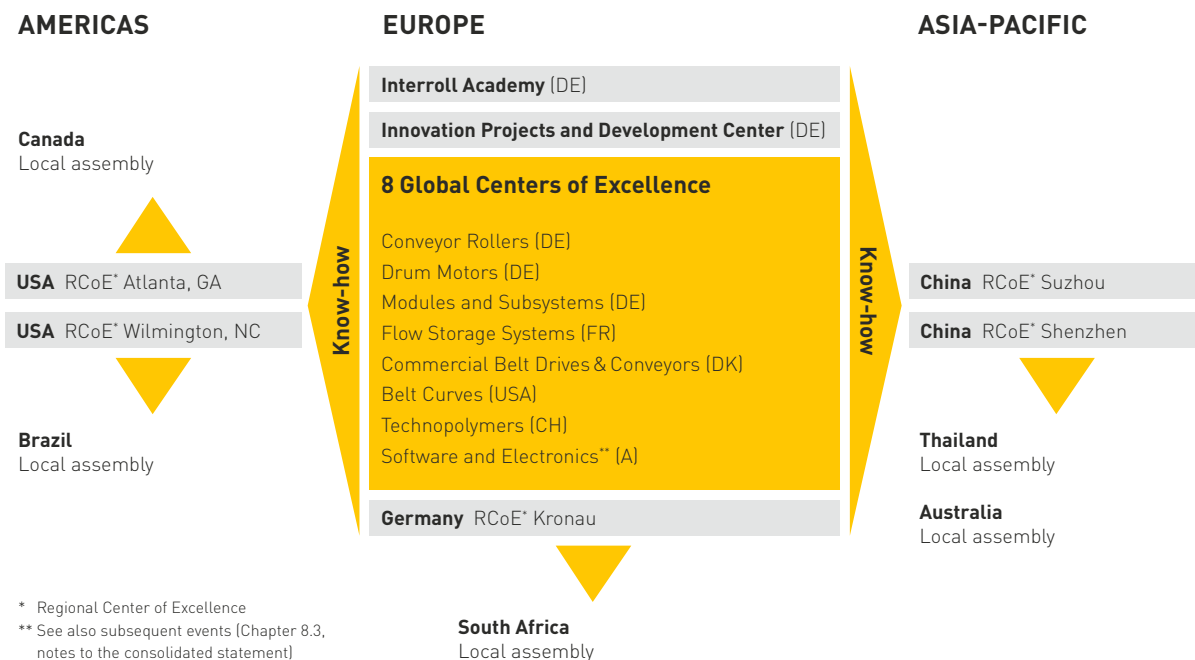
The Interroll Group strives for a position of market leadership in its key products, solutions and services worldwide. An important element of this strategy is therefore the permanent, continued development and redevelopment of intelligent products that enable

customers to save space and energy and secure a quick return on investment. The technological makeup is as follows:

The success of Interroll to date and into the future is based on the following factors:

- The concentration of resources on key products, solutions and services through which global market leadership can be achieved in the longer term.
- The development and expansion of application-oriented product platforms according to a modular principle, which increases flexibility and quality for the customer and makes significant economies of scale possible within the Group.
- The global sales network with local sales subsidiaries that quickly recognize customer needs and market trends and can tap market potential worldwide.
- The Group-wide, uniform production technologies at all production facilities, supported by the Interroll Production System (IPS).
- The quality standards for the products that are identical worldwide and the zero-defect strategy.
- The worldwide networking of the Interroll Group companies via the uniform SAP system.
- Its own permanent development and quick launch of new products onto the market.
- The support, training and professional development of all employees worldwide.
- The ability to digitise our own processes.

TECHNOLOGY ORGANIZATION AT INTERROLL:



“OUR FOCUS ON SAVING TIME HAS PAID OFF”

Interview with Paul Zumbühl, CEO of the worldwide Interroll Group, about the financial year 2020 and Interroll's prospects.



Paul Zumbühl, CEO of the global Interroll Group

The year 2020 will be the last full financial year in which you have led Interroll as CEO. What is your conclusion?

Paul Zumbühl: In fiscal year 2020, we were able to reap the fruits we had sown in recent years. This relates to two things in particular: On one hand, we have constantly improved our range of services and were able to serve the market excellently in the crisis year. On the other hand, Interroll had already done its homework during less challenging years. This enabled us to focus on what is crucial for success in this particularly challenging year, 2020: our customers.

How has the focus on customers shaped up?

The customers' response times, the so-called window of opportunity, is very short. They need partners they can rely on. Delivery capability and quality count enormously. This became even clearer during the COVID-19 pandemic. Last but not least, during the crisis our employees once again underlined that our Climate of Excellence; in other words, the culture of delivering top performance, is deeply anchored in the company. Our productivity and delivery capability were maintained at a very high level almost during the entire crisis. Interroll also won some new customers because we responded faster than competitors. Our digital processes as well as our internal decision-making channels function smoothly. Our long-standing focus on saving customers time, from planning to installation, has paid off. This has enabled us to give answers and deliver our solutions quickly.

“The lesson to be learned from the current crisis is to stay even closer to the projects. That also means being known by the customer’s customer and thus being very close to the market.”

Was the competition less well-prepared?

No, I don't want to generalize, but we have gained new customers. Now, of course, it's a matter of retaining customers and continuing to grow with them. Our agile, global production network with 16 sites was able to work around regional supply chain problems and compensate with alternatives elsewhere.

What has Interroll learned from the pandemic?

For me personally, this is the third crisis during my time with Interroll, after the technology bubble in 2000 and after the financial crisis in 2009. We have learned from each crisis and had already consistently implemented this knowledge in the previous years, both in terms of our strategic orientation and our cost management. The acid test has therefore been passed: In an exceptionally challenging year, Interroll was able to increase its order intake significantly in local currency and slightly in reporting currency, and even significantly improve its profitability. The lesson to be learned from the current crisis is to stay even closer to the projects. This also means being known by the customer's customer and thus being very close to the market. We have to influence the end user's decision-making process in terms of material flow solutions, in the future even more than we do now.

Interroll has also continued to learn in the area of research and development. The strategic aspect behind our success is indeed our strong innovation. This is now having a lasting positive effect on the technology platform. Our modular solutions are in demand with customers.

About the technology platform: In 2020, there were two major innovations, both an expansion of the Modular Pallet Conveyor Platform (MPP) for pallets and the High-Performance Crossbelt Sorter (HPCS). How did these develop in the market?

The high-performance sorter opens up a new performance segment in the market, which we had not covered before. What is new is that with the HPCS we have realized a global product rollout for the first time: We launched the solution on the market worldwide at the same time. This was only possible with synchronized production and delivery capability on all three continents. We only launched the new sorter on the market in March, and yet we have already received more orders than originally expected. We are very pleased about this, but we are not letting up here: Interroll will be launching another sorter in the basic segment in 2021. By basic segment, we mean, for example, applications where manual sortation in principle is still possible or where, as in the fashion sector, reliability and

speed are becoming increasingly important due to automation.

Of course, there are already competitors in the market in this area. Therefore, it is important to convince customers with unique selling points.

The MPP is often compared with the Modular Conveyor Platform (MCP). Is the development in the first year on the market similar here?

In the case of the Modular Pallet Conveyor Platform (MPP), the feedback from customers has been very positive. The concept in this area is completely new, therefore it also needs more time. With 1.2 tons of conveying load capacity, the MPP is of course in a different weight class from the MCP and is new territory for us with new customers. For example, in an automated palletizing system, loading stations and robot cells, the MPP with its digital intelligence can be excellently integrated. We have merged the Dynamic Storage product group with the MPP pallet conveyors and are now tackling the subject of pallets holistically and in a modular form in the Pallet Handling product group. With our LEGO-like modular construction kit, which has now been completely expanded, the integrator can implement the material flow processes in the area of pallets quickly, safely and flexibly as well as with coordinated digital interfaces.

What is the outlook as far as further innovations are concerned?

Our performance on innovation has strengthened us significantly. Hardware and software form a complete, intelligent solution, as their differences become less increasingly indistinct. That is why we have built the

innovation team much more interdisciplinary and have reorganized the processes.

With the system innovation approach, we look at exactly where the customer's pain point is and how we can eliminate it. It is important that this is understood correctly from the outset in order to generate real customer value.

The market for intralogistics has opened up to a number of innovations, for example automated guided vehicles (AGVs) and drones are becoming established. Does this pose a threat to Interroll?

We see these technologies as complementary. The aims here are to enable the right interfaces for networking and to provide intelligent conveyor technology that adapts optimally to customer requirements. In terms of costs, energy consumption, simplicity, occupational safety, and flexibility, our technology platform continues to offer decisive advantages in an increasingly digitalized world, today and in the future.

What role does digitization play here?

Digitalization is now opening up enormous opportunities to increase customer benefits. However, digitalization is a means to an end. Decentralized intelligence in material flow are important keywords, and customers can rely on Interroll's modular control platform here. The task is to take the burden off the system integrators so that they can concentrate on the overall solution and integrate our intelligent products easily, safely and quickly.

Digitalization is now the focus of the new Center of Excellence in Linz, Austria?

As communicated at the beginning of the year, Interroll acquired MITmacher GmbH with a team of highly qualified engineers in Linz. With this team, at the new location, our new global competence center for software and electronics is now being created. Thus, we will be able to build the software platform in an even more focused modular and scalable way in the future. However, we are restricting ourselves to the machine level with the aim of further simplifying the lives of end users and system integrators and offering them plug-and-play solutions. In the medium term, this will also create major opportunities for service.

“Our performance on innovation has strengthened us significantly. Hardware and software form a complete, intelligent solution, as their differences become less increasingly indistinct.”



Paul Zumbühl at the headquarters in Sant'Antonino

Can outsourcing play a role here?

Yes, definitely. Interroll has outstanding expertise in manufacturing products for material handling. We see great potential in customers, who want to abandon their in-house production and adopt our platform solutions.

We also investigated this topic with a study in which we surveyed 300 decision-makers from manufacturing companies in the DACH (Germany, Austria and Switzerland) region. The conclusion was that there is considerable untapped potential for outsourcing in the area of production. The ability to deliver is a particular focus here: By outsourcing production and innovation processes, companies can eliminate innovation bottlenecks and inefficiencies that became apparent during the COVID-19 crisis. Incidentally, in their own perception, only about 14 percent of all companies surveyed see their production as a core competence. This is particularly surprising in the mechanical engineering sector. For us, this means potential in the market that promises further business opportunities in addition to innovations.

What growth opportunities do you see in service in general?

In recent years, Interroll has been able to massively expand its installed base. Now it makes sense to further expand service. The aim here is to further increase the share of sales accounted for by service. We are tackling the issue in the medium term and want to expand our service revenue share to 20 percent in five to seven years. The newly established service organization, which we presented in February 2021, will provide significant impetus here.

What role do partnership and cooperation play in the market?

Interroll is a trendsetter in the market, an authority. This also means that we have a great responsibility. Customers trust in our technologies and innovation as well as in our sustainable financial strength – especially in times of crisis. We certainly don't want to disappoint them. In the future, partnership-based cooperation will be further strengthened in the market. It will be less and less possible for market players to cover everything that is technically possible in the material flow on their own as the risk of losing market share is high. This is all the more true on global stage. With our Rolling On Interroll (ROI) partner program, we are clearly demonstrating how successful Interroll and its partners can be together if we use our strengths in a complementary way.

How optimistic are you about further growth?

We are investing a total of 150 million Swiss francs on all continents in the period 2020–2022, in innovation, digitalization and our production capacities. In this way, we are investing in our further growth. The most important thing is to be able to deliver at all times. The COVID-19 crisis has mercilessly highlighted this and given us a decisive market advantage here. Thanks to our attractive market position, we are very confident about the future.

PRODUCT GROUPS

Sales by product group

- 20.0% Rollers
- 29.5% Drives
- 41.7% Conveyors & Sorters
- 8.8% Pallet Handling

SALES (CHF MILLION) ROLLERS

106.0

References

- Dematic
- Knapp
- SSI Schäfer
- TGW
- Vanderlande

SALES (CHF MILLION) DRIVES

156.5

References

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

SALES (CHF MILLION) CONVEYORS & SORTERS

221.5

References

- Amazon
- Aokang
- China Post
- DHL
- FedEx

SALES (CHF MILLION) PALLET HANDLING

46.6

References

- Coca-Cola
- Danone
- Procter & Gamble
- Yamaha



PRODUCT GROUP ROLLERS

The Rollers product group forms the solid basis of the Interroll portfolio. Interroll has been manufacturing conveyor rollers in Wermelskirchen, Germany, since 1959 and now at five other locations worldwide. Conveyor rollers are used in numerous internal logistics applications.

Interroll has already manufactured well over 500 million conveyor rollers. Driven and unpowered conveyor rollers from Interroll are the first choice for transporting containers and pallets in the distribution centers of postal and courier services, shipping companies and in airports or production plants. But these products are also integral parts of material-handling solutions in other industries such as the supermarket and e-commerce sectors. Interroll offers a selection of 60,000 conveyor roller variants. Products from the Rollers category are also used in other Interroll solutions from other product categories, for example in the Modular Conveyor Platform (MCP) and the Modular Pallet Conveyor Platform (MPP), as well as in flow storage solutions.

In 2020, very short delivery times, highly efficient manufacturing processes, customer proximity and the high quality of Interroll products made a significant contribution to further success in this area and the company was able to gain market shares. This development was also supported by the increase in the level of automation of suitable processes at Interroll's production sites.

The potential of market trends such as the continuing strong development of e-commerce and the outsourcing of manufacturing processes for previously self-produced rollers by system integrators were anticipated and exploited. With innovative customer-oriented tools, such as a roll configurator or a Layouter tool for larger projects, which significantly shorten the selection and ordering process.

At CHF 106.0 million, consolidated sales in the Rollers product group were -3.8% below the previous year's figure of CHF 110.1 million. At CHF 107.5 million, consolidated order intake was -0.3% slightly below the previous year's level of CHF 107.8 million.



Interroll rollers stand for top quality in 60,000 variants.

SOLID PROJECT BUSINESS, POTENTIAL WITH THE PRODUCT DEMAND

Interroll has divided its portfolio into four product groups: Rollers, Drives, Conveyors & Sorters and Pallet Handling. In the reporting year 2020, all product groups developed differently.



PRODUCT GROUP DRIVES

The portfolio of the Drives product group includes control systems, driven conveyor rollers (24-volt and 48-volt RollerDrive) and drum motors. The global Centers of Excellence in Baal, Germany, and Hvidovre, Denmark, for drum motors and Wermelskirchen, Germany, for RollerDrive, are responsible for the Interroll Group worldwide. In this context, Hvidovre was renamed Center of Excellence Commercial Belt Drives & Conveyors as of March 1, 2020. The decision underlines the fact that Interroll’s overall portfolio is ideally suited for both supermarket and other retail material-handling applications.

Internationally, Interroll takes a leading role with its compact, flexible and easy-to-install solutions.

Consolidated sales in the 2020 financial year amounted to CHF 156.5 million, down -9.2% on the same period of the previous year (CHF 172.4 million). Consolidated order intake decreased by -6.9% to CHF 157.6 million compared to CHF 169.2 million in the previous year.

The innovative range consisting of the coordinated RollerDrive EC5000, controllers and power supply units now allows system integrators and plant manufacturers to serve their customers’ needs even more individually and with Industry 4.0 functionalities. Thanks to the data transparency that the RollerDrive EC5000 offers, modern conveyor systems can also be maintained proactively.

In addition, the bus interface enables the implementation of completely new control functions, such as those required in the automation environment. This means that not only can the acceleration, speed and braking of the conveyed goods in the system be influenced more precisely, but the respective goods can also be positioned on the conveyor line with millimeter accuracy – a prerequisite for improving work processes through the seamless automated interaction of conveyor solutions with robots or packaging machines.

The brushless drive of the RollerDrive EC5000 also features energy recovery in braking mode. Conveyor systems thus manage without pneumatics or conventional drives that have to be operated continuously.

The RollerDrive EC5000 is already being used in numerous projects. For example, Interroll and Teknokon, an innovative system integrator for complete warehouse automation solutions, have set up an automated picking flow system for Cookplus in Istanbul, Turkey. Key elements of the new material flow solution are Interroll’s RollerDrive EC5000, MultiControl and Modular Conveyor Platform (MCP).



The new DC Platform is designed to meet the highest efficiency requirements.

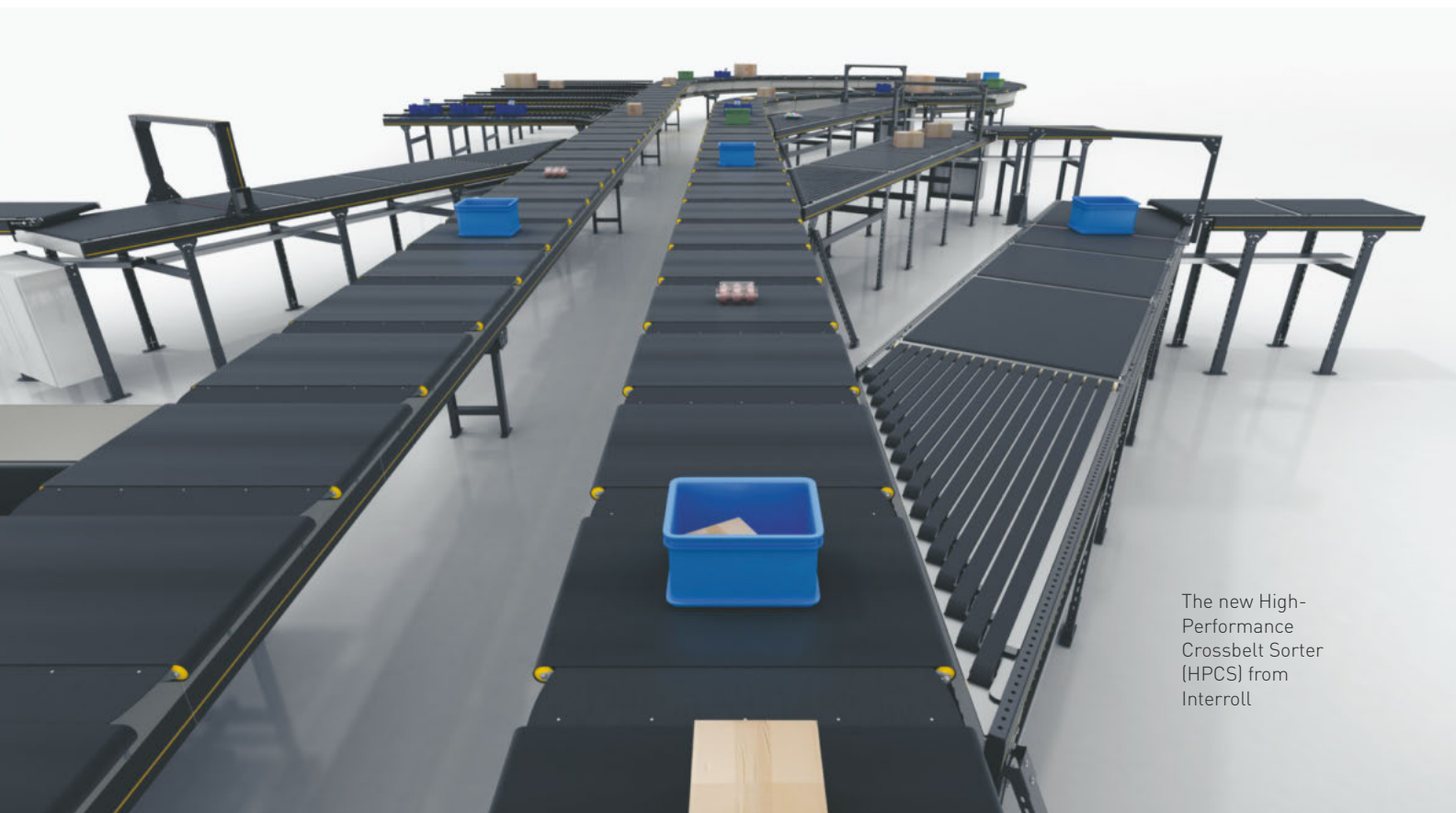


PRODUCT GROUP CONVEYORS & SORTERS

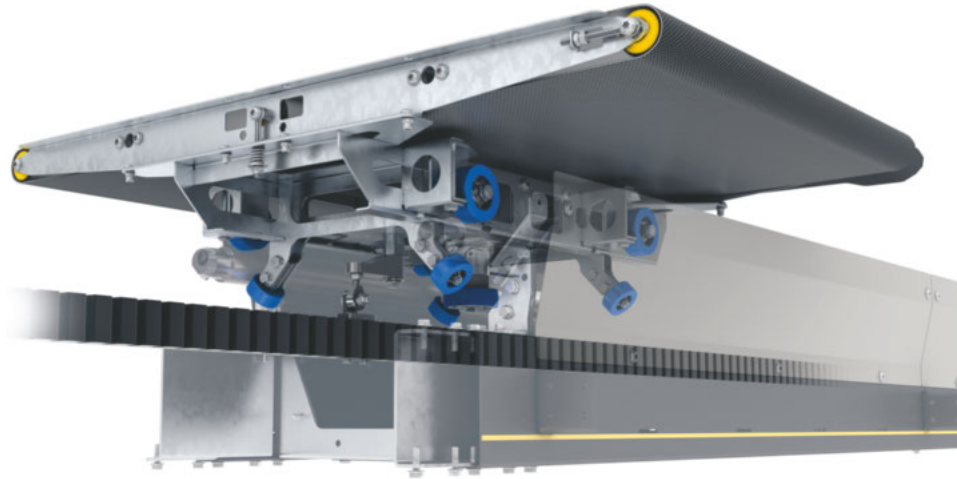
The product group Conveyors & Sorters includes conveyor and sorter solutions that are developed by the global Centers of Excellence in Sinsheim, Germany, and Cañon City, United States. This product group includes crossbelt sorters, belt curves as well as the Modular Conveyor Platform (MCP). With its products and solutions in this segment, Interroll has a strong position in the market, especially in equipping postal and logistics distribution Centers, as well as airports and e-commerce.

Due to the considerable potential demand in this area in the medium term, Interroll announced in December 2018 the expansion of production in southern Germany. A new plant in Mosbach will go into operation there in the first half of 2021.

With the modular platform concept from Interroll, modern material-handling systems can be planned quickly and efficiently; adjustments remain possible and can be made even during assembly.



The new High-Performance Crossbelt Sorter (HPCS) from Interroll



The MX 025H has enlarged and more robust carriers. As a result, it is now possible to pick up larger and heavier items (up to 50 kg).

In conjunction with the Interroll drive solutions, ultra-modern plants are created and are characterized by maximum availability, energy efficiency and very low operating and maintenance costs. This applies to both new plants and for the modernization of existing plants.

In March 2020, Interroll introduced the MX 025H, a new High-Performance Crossbelt Sorter (HPCS), adding a new high-performance system capable of handling up to 20,000 conveyed goods per hour to its innovative portfolio of automated sortation solutions. This new solution can also sort significantly heavier (up to 50 kg) and larger goods. As a result, even the most demanding users now have the opportunity to benefit from the performance, cost-efficiency and availability advantages as well as the energy-efficiency offered by mechanically driven horizontal crossbelt sorters from Interroll. The first applications of the HPCS are already in daily use at well-known customers in the market.

As of January 1, 2020, the Modular Pallet Conveyor Platform (MPP) was assigned to the newly designated product group Pallet Handling; it was previously assigned to Conveyors & Sorters.

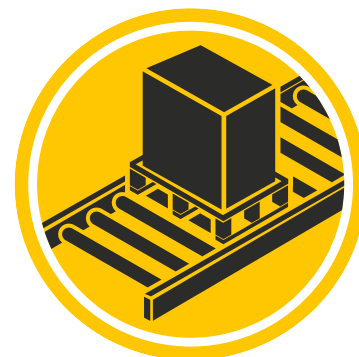
The new Interroll High-Performance Crossbelt Sorter (HPCS) was presented to the public for the first time during a livestream in March 2020. The HPCS is the first time that an Interroll solution has been launched simultaneously on all three continents. First applications of the HPCS are already used by well-known customers in the market on a daily basis.

The product group Conveyors & Sorters achieved consolidated sales of CHF 221.5 million within the 2020 financial year, which was slightly down by -0.7% compared to the previous year (CHF 223.2 million). At CHF 233.2 million, order intake was 8.5% above the level of the prior-year period (CHF 214.9 million).

A temporary downward trend in the first half of the year was noticeable here. In the second half of the year, Interroll was able to report a major order for a leading supermarket chain for the delivery of more than 9 kilometers of Interroll Modular Conveyor Platform (MCP), including a record number of RollerDrive EC5000 units for a new building project in Germany.

By the end of 2020, more than 400 installed Interroll sorters would be in operation worldwide, some of them for many years.

The growing installed base offers interesting prospects for increased service activities for Interroll.



PRODUCT GROUP PALLET HANDLING

With the Modular Pallet Conveyor Platform (MPP) launched in 2019 and more recently extended by a stacker crane and a transfer car, Interroll has linked solutions for processes that support automated storage and retrieval.

Therefore, the company since January 1, 2020 has combined the previous product group Pallet & Carton Flow with the MPP pallet conveyor solution under the new name Pallet Handling.

In the year under review, Interroll recorded a decline in consolidated sales of -13.7% to CHF 46.6 million in this product group (previous year: CHF 54.0 million).

Consolidated order intake decreased by -9.2% to CHF 49.5 million (previous year: CHF 54.5 million). During the COVID-19 crisis, important warehousing sector projects were postponed, but not cancelled through-out.

For warehouses with high turnover frequencies, flow storage solutions have proven to be particularly cost-effective in the long term. Dynamic flow storage

systems are based on the principle of inclined planes: pallets or packages are stored in flow channels that consist of a series of roller conveyor modules arranged one behind the other. Since these are mounted at an angle of 4%, goods move automatically from the input to the output point by using gravity.

By adding semi- or fully automated solutions such as the MPP to the range, Interroll continues to offer high sales potential for flow storage solutions. In the reporting year, the MPP has been introduced to the markets in the Americas and in the Asia-Pacific region. A first larger order has been received from Australia.

Further innovations in the area are currently being driven forward.

A survey conducted by Interroll in Germany in 2019 of automated pallet transport processes carried out at manufacturing companies, confirmed a high demand potential for Interroll.



Stacker cranes and transfer cars as an extension of the MPP enable the continuous linking of automated conveying with automated warehouse processes.



Maurizio Catino, Executive Vice President Global Sales & Solutions

FOCUS ON SOLUTION COMPETENCE

As Executive Vice President Global Sales & Solutions, Maurizio Catino has been the Interroll Group's global Head of Sales since the beginning of July 2020. We talked to him about current market trends, the advantages of digitalization and the importance of solution competence for future success.

“Many industries today have recognized that there is great potential for productivity in material handling.”

With lockdowns in many countries, collapsing economic data, company bankruptcies: What influence does the coronavirus pandemic have on the market for material handling solutions?

Maurizio Catino: The pandemic has made the global intralogistics market even more dynamic. While other industries have been hit extremely hard, e-commerce in particular has generated strong demand for material flow solutions due to the rapid and abrupt increase in online purchasing by consumers. The reason: Only with automated solutions for conveying, sorting, storage and order picking can e-commerce providers increase their capacities to meet customer requirements with fast delivery times. The swelling of the flow of goods triggered by internet orders is indeed impressive.

Couldn't this just be a flash in the pan?

No. Of course, nobody can predict the future exactly, but the increased order volume via the internet is due not only to the more intensive use by consumers who are already internet-savvy, but also to the development of completely new target groups. An example: While

my father consistently rejected smartphone use before the pandemic, today he is on the internet every day, also as an online shopper. This change in behavior will continue. At the same time, logistics as a whole has gained social importance. A broader public has now become aware of the system-relevant function of this industry, for instance in supplying people with food.

And what is the situation in other industries?

Many industries today have recognized that there is great potential for productivity in material handling in order to significantly improve their own competitiveness, for example in the area of industrial production. Simultaneously, however, parcel service providers and courier services are increasingly in the process of decentralizing their networks for capacity reasons, such as setting up smaller, additional distribution centers on the outskirts of or even in the city center. Conveyors or sorters are also needed for this. So, there are a number of trends that give us additional tailwind, both in winning new customers and in upgrading solutions for existing customers. As an international technology leader, we are excellently represented in these and other growth areas with our modular – in other words, flexibly combinable – product range, which we have also consistently expanded with our high-performance sorter, the new Split-Tray Sorter and to which we will add the new Smart Pallet Mover, for example.

In coronavirus times, the internet may well have gained in importance for Interroll's sales activities.

That's how it is. It was crucial that the Interroll Group Management did not waste any time after the beginning of the crisis by letting the initial pandemic shock throw us off course. On the contrary, we immediately took measures to ensure unrestricted supply availability for our customers. For the sales department, this meant first of all not letting the close relationship with the respective customers be interrupted by the cancellation of trade fairs and the lack of opportunities to visit, but making customer contact and conducting consultation online from the home office. By the way, this went far beyond the usual use of video conferencing. Livestreams about new products or interactive webinars were used. Our employees met these challenges with the necessary flexibility and great commitment, in exemplary cooperation with marketing and product management.



Maurizio Catino at the Interroll headquarters in Sant'Antonino

So, will the sales department only work via online channels in the future?

No. The basis of a successful sales activity will always be non-media communication between people. The rapid switch to online channels worked so well, in large part because our customers already knew us well and trusted us. However, the coronavirus crisis has already accelerated the existing trend toward virtual interaction and its use has now become a natural, additional instrument in daily sales work. The new opportunities offered by social media, especially for new customer business, are a good example. They allow sales staff to enter into initial contact with decision-makers much more efficiently and precisely, without first being passed on from one internal department to another.

Now the internet is not only a technical tool.

Correct. The internet is also changing the role and tasks that salespeople have to face. Today, customers can find out about Interroll's product range themselves with just a few mouse clicks. And that's exactly what most of them do, even before their first visit to Interroll. What does that mean? It means that as a sales representative I no longer offer the customer added value as a product catalogue on two legs. What is required is proactive solution and consulting expertise as well as knowledge of the benefits of the entire portfolio that Interroll has to offer. Of course, this also requires an understanding of the business objectives and workflows of the end users in order to effectively support system integrators in their work. For example, when visiting a running application, you must be able to immediately identify possible optimizations for the particular operation. As a salesperson, you should also understand the directions in which the market and the industry are developing. This is one of the reasons why we conduct appropriate training courses at the Interroll Academy, where we also draw on the expertise of leading research institutes such as Fraunhofer Institute for Material Flow and Logistics (IML).

Doesn't this turn toward solution orientation also need to be anchored in internal structures?

Yes, that's why we have developed our successful industry sales organization into a global solution sales organization that supports our customers on an equal footing even with the most demanding projects. Incidentally, we didn't need to set up an additional sales organization for this purpose, but we can now make even better use of the know-how already available in the respective industry environment. Furthermore, these vertical functions not only support the existing, geographically oriented sales force, but also represent an important link between sales and the product managers in our global competence centers. Through this exchange of know-how, we ensure that the market requirements to which we orientate our sales work are directly incorporated into the innovation process of our company.

Now, with 28,000 customers that you look after, it's not always just about larger projects?

Exactly. Just as important as the project business is the sale of key products that customers already know and want to integrate into their material flow solutions in order to add value. Online channels play a central role in this area. For example, we have experienced a great deal of customer interest in our new online shop that we launched last year.

Where does digitalization still play a role?

For example, in the value-added advantages that our globally used enterprise resource planning (ERP) system offers. You have to understand that most of our major customers are global corporations that operate on the basis of end-to-end, digital, just-in-time supply chains. Besides the new and already mentioned online shop we offer a so-called headless approach. This means that customers who are interested in automated purchasing can use interfaces to connect with us through the platforms they use. The order request to

Interroll is then generated by a software. On our side, we use then the SAP CX Commerce cloud in combination with electronic data interface (EDI) to translate this request into an offer. This is a lean process and convenient for our customers. Hence, as a global partner, we meet their requirements by integrating our digital processes with theirs, from ordering to delivery. That means: already in the order processes we add value to the customer by saving time and cost and thereby help them remain successful in their businesses. One more reason for them to choose Interroll.

But this is just one aspect of the opportunities that the digital world opens up for us. With the launch of a web-based Layouter tool, we are able to provide our customers with sales support as early as in the planning and project phase. This service dramatically simplifies and shortens the engineering effort, especially for medium-sized system integrators. In this way, we also help this customer group to become even more competitive.

“We have developed our successful industry sales organization into a global solution sales organization.”

REGIONS

SHARE OF
GLOBAL SALES
EMEA

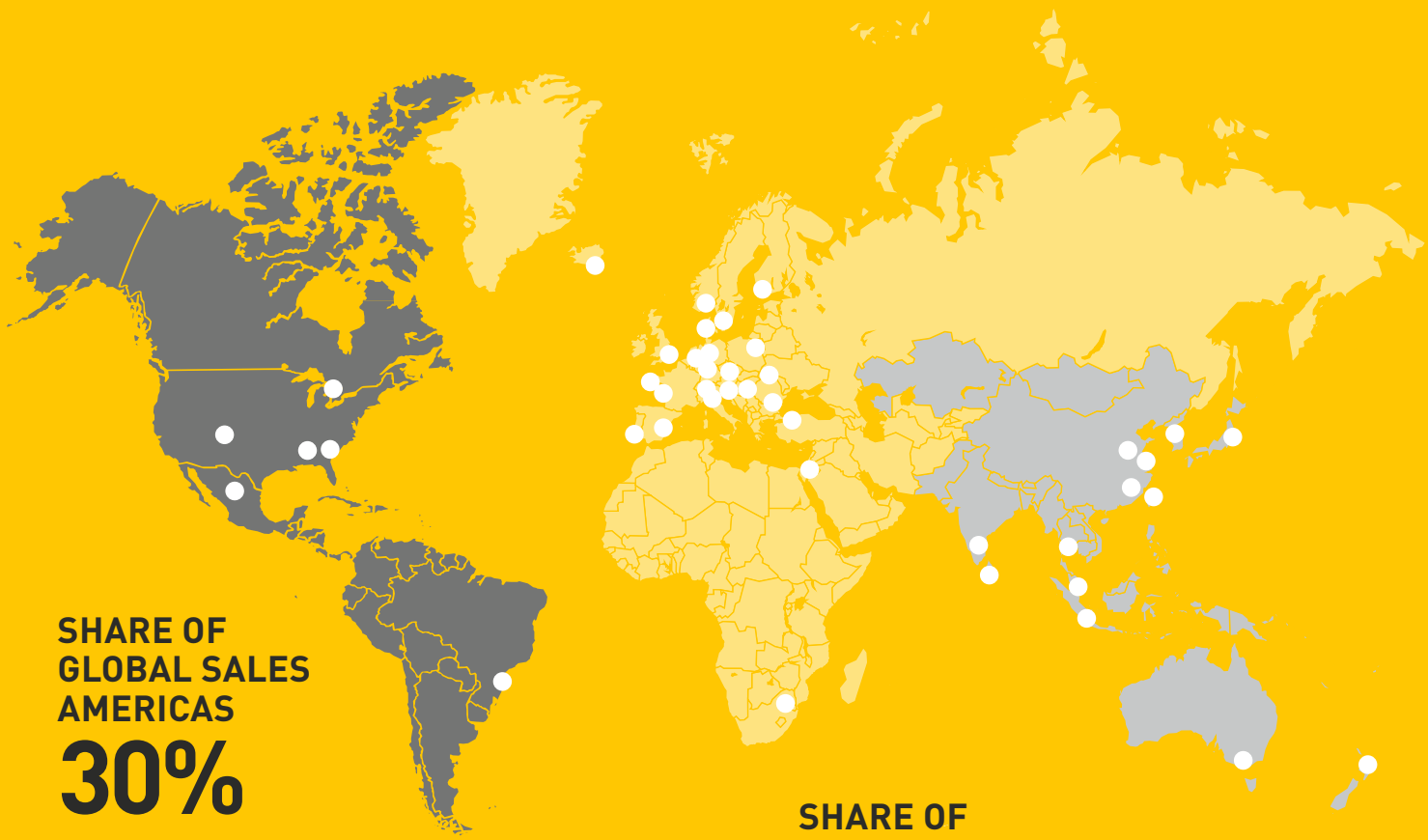
54%

SHARE OF
GLOBAL SALES
AMERICAS

30%

SHARE OF
GLOBAL SALES
ASIA-PACIFIC

16%



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

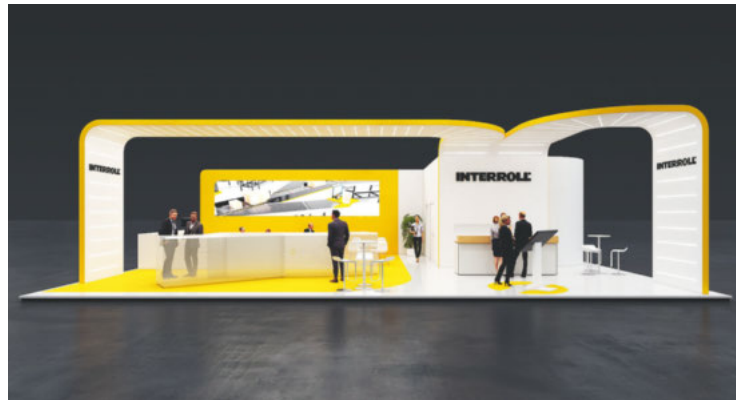
SUCCESSFUL GLOBALIZATION STRATEGY

Interroll successfully continued its globalization strategy in 2020 by entering new markets and gaining new customers. Globally, Interroll recorded an increase of +0.9% in local currency, but a decline in consolidated sales of -5.2% compared to the previous year. In the Europe, Middle East, Africa (EMEA) region (-5.1% in local currency, -10.6% consolidated) and Asia (+1.7% in local currency, -4.6% consolidated), sales declined in reporting currency due to the COVID-19 pandemic. The Americas region (+16.5% in local currency, +6.1% consolidated) recorded growing sales.

Consolidated order intake increased by +6.6% in local currency and +0.3% on a consolidated basis compared to the previous year. Interroll's share of sales in the year under review was just under 54% in EMEA, 30% in the Americas and 16% in Asia-Pacific.



EMEA



Interroll immediately prepared its own virtual trade show for customers after the cancellation of LogiMAT participation due to the COVID-19 pandemic.

EUROPE, MIDDLE EAST, AFRICA REGION (EMEA): STRONG DELIVERY PERFORMANCE

In the EMEA region, the organic growth of previous years did not continue in 2020 due to the pandemic. In addition, approximately half of the decline is attributable to the strong Swiss franc.

Sales amounted to CHF 287.0 million, 10.6% below the previous year (CHF 321.0 million). Order intake decreased by -3.9% compared to the previous year (CHF 312.0 million) and reached CHF 299.9 million.

In the Conveyors & Sorters business, the region recorded an increase in order intake. In Rollers and

Drives, market share was gained due to strong delivery capabilities. With a share of just under 54% of Interroll's total sales, EMEA remains the most economically significant region within the Group. The demands placed on suppliers in internal logistics are high. In addition to close customer relationships, industry knowledge, and technical solution expertise, they require innovative responses to increasing complexity and new market trends.

With the construction of a new plant in Mosbach, Germany, Interroll is preparing for future growth in the EMEA region.

AMERICAS REGION WITH GROWTH PROSPECTS

Sales in the Americas region amounted to CHF 158.1 million, 6.1% higher than in the previous year (CHF 149.0 million). With growth of 13.0% in incoming orders to CHF 165.6 million (previous year: CHF 146.6 million), strong impulses were noticeable. There were numerous new orders for sorters in particular (+83.8%), including orders for the new High-Performance Crossbelt Sorter (HPCS). Conveyor rollers and drives also saw pleasing growth.

With a very good local presence and the long-term customer relationships, we were able to significantly increase profit and sales in local currency in Brazil despite considerable restrictions due to the pandemic. Interroll considers the Brazilian market to be full of opportunities.

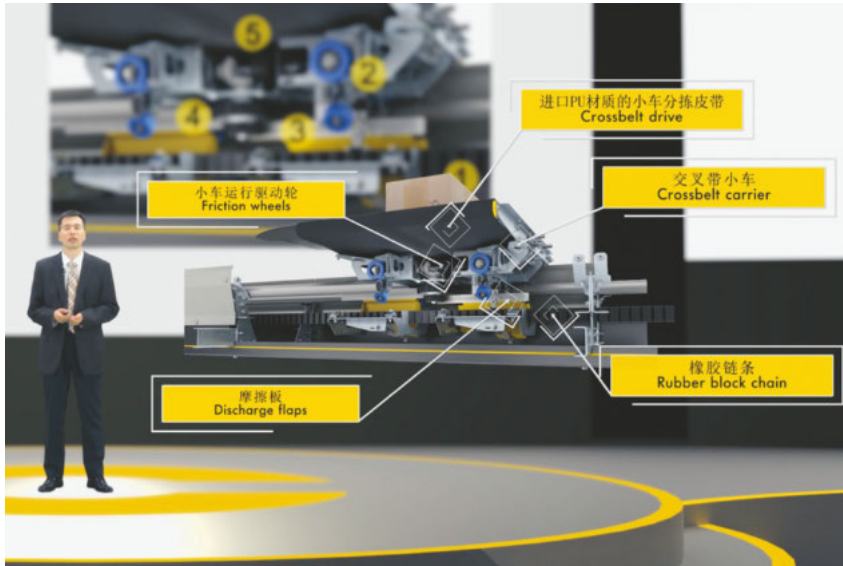
A second plant in Hiram (near Atlanta, Georgia, United States), went into operation in mid-2020. This means that further capacity is available for medium-term growth in the Americas region. In addition to the consistent application of the Group-wide Interroll Production System (IPS) and the zero-defect strategy, the automation of production processes was also driven forward in a targeted manner in the United States in 2020. The customer focus was underscored with a new showroom at the Hiram site, where numerous solutions from the Interroll technology platform are on display.



AMERICAS



The extensively equipped new showroom in Hiram underscores the customer experience at the site.



The launch of the new sorter MX 025H also took place virtually in Asia.



ASIA-PACIFIC

ASIA-PACIFIC REGION RICH WITH OPPORTUNITIES

Despite the absence of major orders due to COVID-19, sales grew by 1.7% in local currency, but fell by 4.6% in reporting currency to CHF 85.5 million (previous year: CHF 89.6 million).

Order intake remained at the previous year's level in local currency but was down -6.3% in reporting currency to CHF 82.3 million (previous year: CHF 87.9 million).

Belt curves recorded very pleasing sales and order intake in the region. Following major projects in the previous year, demand for the Modular Conveyor Platform (MCP) was somewhat more subdued.

As in previous years, China was the most important market for Interroll in the region. Very positive impetus came from Southeast Asia and especially from Australia, where Interroll recorded a strong increase in sales.

The region is increasingly benefiting from the globalization of the Interroll Group as well as the expansion and modernization of its own local production facilities. In 2019, a new and larger plant in Thailand started operations. The Shenzhen (China) plant moved to a new, more modern and larger site at the beginning of the year, and a dedicated new plant is planned for Suzhou (China) in 2022, which will increase production capacity for the Asia-Pacific region.



Richard Keely, Executive Vice President Americas

ADAPTING TO CHALLENGES

Richard Keely has been Executive Vice President Americas at Interroll for three years, during which he has faced plenty of challenges and opportunities.

How has Interroll performed?

Richard Keely: Interroll Americas experienced double-digit sales growth despite all the challenges of 2020. E-commerce was a big boost for us in the Americas, in particular in the United States. We also saw more opportunities to sell our traditional products to small and midsize integrators as they continued to grow. At the same time, we were able to sell more complete sub-systems to larger integrators that had an abundance of projects with large end users. We had several repeat orders and continue to build our partnerships. The release and commissioning of the new Interroll High-Performance Crossbelt Sorter (HPCS) was a big accomplishment for the team. We experienced an increase in demand for the Modular Conveyor Platform (MCP) and look forward to continuing its upward trend in 2021.

“We now have several traditional storefront clothing and fashion retail customers that are expanding their presence online. Some have seen a tenfold hike in sales and the need to update their systems immediately.”

And outside the US – in Brazil, Mexico and Canada?

In Brazil, we continued to grow sales in our core products, add customers, and increase productivity, which is better than it has ever been. But the biggest hurdle in this market was the currency. The devaluation of the Brazilian real created huge challenges in our supply chain. Local steel manufacturers, for instance, preferred to export their products because they could earn more, making it difficult for us to obtain materials. We had to use different supply channels, including some from Europe, which increased our material costs. As a result, we have invested in a new DC Platform – a 24-volt/48-volt RollerDrive platform- production cell for Brazil, which we will incorporate in 2021, this will help us avoid import taxes and continue to grow our local offer. In Mexico, we were able to rebound nicely in 2020. We increased our business, established new partnerships with system integrators, and further strengthened existing relationships. We were seen as a highly reliable supplier in a turbulent year. In Canada, we continued to build our in-country product business while effectively managing our costs. We continue to invest in our project business and are positioned to grow further in 2021.

So, your e-commerce-driven business is stronger than ever?

Definitely. In this sector, we’re seeing substantial growth coming from both large end users and third-party logistics providers, or 3PLs, which are working closely with smaller e-commerce companies. In fact, we sold the first sorter from our new High-Perfor-

mance Crossbelt Sorter line of products built in the United States to a 3PL serving several online businesses. Traditional retail businesses are also establishing an online presence. We now have several traditional storefront clothing and fashion retail customers that are expanding their presence online. Some have seen a tenfold hike in sales and the need to update their systems immediately. We look forward to more growth in this sector in 2021.

As demand in the Americas grows, have you been able to keep up with the production capacity?

Yes, we have. The addition of our new plant in Hiram, Georgia, United States, alongside the existing facility, added 125,000 square feet – about 11,600 square meters – of space. We finished the project on time and on budget. And the timing couldn’t have been better as we needed this capacity because we manufacture sorters and the MCP in the new facility. We were able to more than double production capacity for conveyors and sorters, allowing us to keep lower lead times and maintain a high service level with customers. Four additional system integrators came on board with our sorters in 2020 – they were first-time customers in the US. And in Hiram, we deployed a second robotic cell for our roller pallet flow assembly. The robotic cell has greatly improved our quality, speed, and productivity as well as our workplace ergonomics. We plan about one automation project per year focusing on highly repetitive operations. Our increase in productivity pays off: We continue to create partnerships in the market through shorter lead times.



In operation since mid-2020: the second plant in Hiram (Atlanta) in the US state of Georgia

“Interroll is all about opportunity and our unique corporate culture. We have great products and great people. It is an organization that is challenging but also very empowering with a high level of accountability.”

Are you planning any big changes in 2021?

We will continue to invest in our sales group becoming more technical, consultative, and application-based. As for products, we are working on a new belt curve in our global Center of Excellence in Cañon City, Colorado, US. The product, to be released globally this year, will have a sleeker design and significant reduction in noise. On the production front, we expect to benefit from laser capabilities at our new fabrication shop in Cañon City and, in the first quarter, we will bring in a new insourced powder coating line to enhance our painting operations in Hiram. Overall, we plan a heightened focus on drum motors and our belt curve business. We look forward to seeing several end users and system integrators come back to us with new projects and more opportunities. These relationships are a great credit to our organization and the excellent job they have done, and we are proud of that. We also see more outsourcing

opportunities as companies evaluate their operational efficiency and core competencies. And our Regional Center of Excellence for conveyor rollers, RollerDrive and drum motors in Wilmington, North Carolina, US, is working on numerous projects to propel the digital transformation in the Americas.

And how about growth opportunities for you personally?

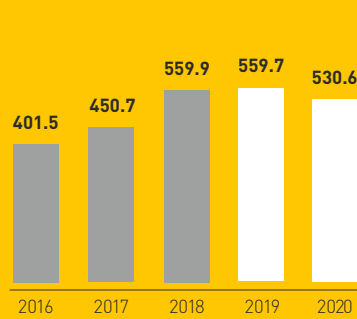
Interroll is all about opportunity and our unique corporate culture. We have great products and great people. It is an organization that is challenging but also very empowering with a high level of accountability. For me personally, the biggest challenge over the past three years has been the transition from a product business to a project business as a second pillar of our offering, which is on track. I'm very excited about our opportunities in 2021.



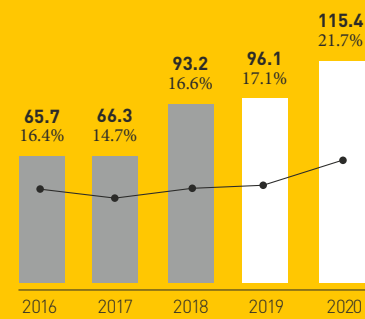
Ensuring high productivity: automated and semi-automated processes, such as here at the Hiram plant

FINANCIAL POSITION, EARNINGS AND CASH FLOWS

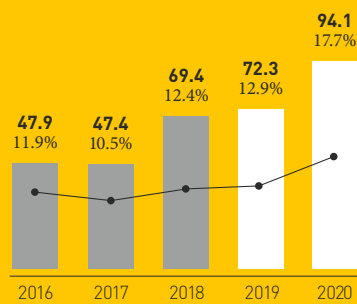
SALES



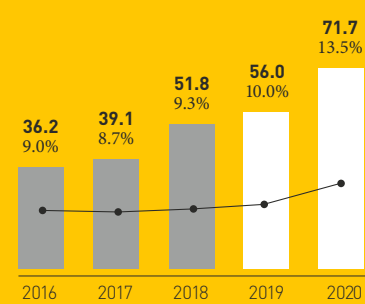
EBITDA AND EBITDA MARGIN



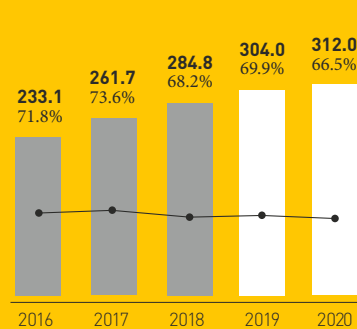
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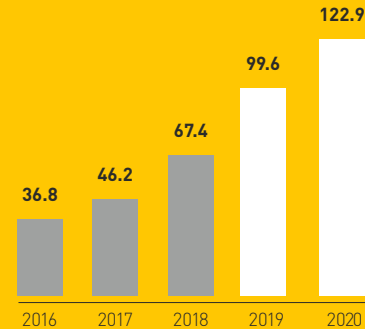
RESULT



EQUITY AND EQUITY RATIO



OPERATING CASH FLOW



STRONG PERFORMANCE IN A TENSE YEAR OF CRISIS

The year 2020 was characterized by strong currency effects and pandemic-related influences on project business. Interroll more than held its own: In a challenging environment, the company was able to increase sales slightly (+0.9% in local currencies), but due to the strong Swiss franc, sales fell to CHF 530.6 million (–5.2% year-on-year).

Order intake even improved by +6.6% in local currencies and by +0.3% in consolidated currencies to CHF 547.8 million. Thereby, an increasing demand in the markets was observed in the second half of the year.

RECORD RESULTS

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased significantly to CHF 115.4 million (previous year: CHF 96.1 million). The EBITDA margin increased to 21.7% (previous year: 17.1%). Earnings before interest and taxes (EBIT) reached CHF 94.1 million (+30.1% above the previous year's figure of CHF 72.3 million), corresponding to an EBIT margin of 17.7% (previous year: 12.9%).

Net profit rose strongly by 28.0% to a record level of CHF 71.7 million (previous year: CHF 56.0 million). The net profit margin reached 13.5% (previous year: 10.0%).

SOLID BALANCE SHEET DEVELOPMENT AND DISPROPORTIONATE CASH FLOW

Total assets grew to CHF 468.8 million as of December 31, 2020 7.7% higher than at year-end 2019 (CHF 435.1 million). Equity increased to CHF 312.0 million, with an equity ratio of 66.5% (year-end 2019: 69.9%). Net financial assets increased by 19.9% to CHF 92.2 million (previous year: CHF 76.9 million).

As a result of the record result and good working capital management, operating cash flow increased by 23.4% to CHF 122.9 million (previous year: CHF 99.6 million). Customer prepayments for projects contributed to the good and significantly lower working capital compared to the previous year.

Gross investments amounted to CHF 51.3 million (previous year: CHF 33.6 million). The second own production plant, which was completed at the Hiram, Georgia, United States, and the construction of the Mosbach plant in Germany, which progressed well in the year under review, contributed to this. Detailed planning for the new plant in Suzhou, China, has been completed to a large extent.

As a result of the strong cash flow and despite higher investments, free cash flow reached CHF 74.0 million (previous year: CHF 66.9 million).

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT



Global Compact
Network Switzerland

PROGRESS REPORT 2020

1. STATEMENT OF SUPPORT FROM THE GROUP MANAGEMENT

Interroll sets new standards worldwide with its material-handling solutions. We are responsibly helping to shape new connections between the physical and digital worlds. Our principles make it easier for our customers and employees to act responsibly in a complex environment every day. We reconcile economic success with sustainable, ecological awareness and social responsibility – both in the short and long term.

Sustainability principles

- We act sustainably and focus on long-term business success. In doing so, we strive for an appropriate balance between environmental awareness, social responsibility and economic success.
- We oblige business partners and suppliers to comply with minimum principles.
- We commit our managers and employees to our Interroll Code of Conduct.

Our strategies and activities are consistently guided by universal principles in the areas of human rights, labor standards, environmental protection, and the fight against corruption. In addition, we strive to advance social objectives. By joining the United Nations (UN) Global Compact in November 2016, we underscored our global commitment for the first time and also pledged to transparently document our progress in the areas mentioned. Our fourth progress report, which covers fiscal 2020, demonstrates the key measures and successes of our ongoing commitment to compliance with the 10 principles of the UN Global Compact.

In addition, we outline how our actions support the UN Sustainable Development Goals (SDGs). We are emphasizing the relevance of social responsibility for our business activities. At the same time, we renew our commitment as a member of the UN Global Compact for another year.

February 26, 2021

Interroll Holding AG

Heinz Hössli
Chief Financial Officer

Martin Regnet
Head of Communications &
Investor Relations

2. PRESENTATION OF PRACTICAL MEASURES AND MEASUREMENT OF RESULTS IN 2020

HUMAN RIGHTS

Principle 1

Support and respect the protection of internationally proclaimed human rights.

Principle 2

Ensure that the company itself is not complicit in human rights abuses.

Self-commitment

“Interroll does not tolerate any discrimination, harassment, or unfair treatment based on gender, race, disability, ethnic or cultural origin, religion, belief, age or sexual orientation.” This extract from the Interroll Code of Conduct requires the company and its employees to respect human rights and the relevant laws. Interroll’s good reputation and the trust placed in Interroll by customers, suppliers, business partners, shareholders and the general public depend heavily on the responsible conduct of all of its employees.

Interroll expects all suppliers and subcontractors to adhere to these principles, which reflect Interroll’s corporate values. They represent an important component of supplier selection and evaluation. Furthermore, we expect our suppliers to observe these standards in the further course of their supply chain.

The relevant guidelines set out in the Interroll Supplier Code of Conduct are intended to ensure compliance with all applicable laws, regulations and ordinances and to ensure that the processes along the Interroll supply chain meet certain social, ecological and economic standards.

Measures in 2020

1. Global update of the code of conduct for suppliers
2. Global update of the code of conduct
3. Education and prevention through training
4. Continued implementation and expansion of the compliance management system
5. Further developments and training

Measurement of the results

Res 1: When selecting new suppliers, a commitment to comply with our principles is a prerequisite for a business relationship. The aim is also to commit the most important existing suppliers to compliance with the Interroll Supplier Code of Conduct. By the end of 2020, 95% of all suppliers to the European companies had already been covered, and great progress was also made in the Americas and Asia-Pacific in 2020.

For 2021, we are targeting 95% of all suppliers worldwide.

Res 2 and 3: To ensure that our code of conduct continues to be lived, it was updated in 2020 and translated into all national languages of our sites and distributed to all employees. The employees have signed the Interroll Code of Conduct, thereby committing themselves to comply with it. Special in-depth training courses were also held at some companies.

Additional in-depth training will take place in fiscal year 2021.

Res 4: The Compliance Management System (CMS) of the Interroll Group is structured according to the recommendations of the international standard ISO 19600 Compliance Management Systems. The risk-based approach is designed to weight the severity of potential violations of laws and obligations in relation to the achievement of corporate objectives and the negative impact on the Group’s reputation, and to determine appropriate priorities for action. In Germany, a local compliance board has been active since 2019. Renewed readiness checks were carried out in Germany by an external compliance expert. The findings from these will be further analyzed and rolled out globally in fiscal 2021.

LABOR STANDARDS

Principle 3

Uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Strive to eliminate all forms of forced and compulsory labor.

Principle 5

Promote the effective abolition of child labor.

Principle 6

Promote the elimination of discrimination in respect of employment and occupation.

Res 5: Every employee has the right to report violations of the rules of the Interroll Code of Conduct, of a law, or of an obligation to his or her supervisor. In Germany, an anonymous whistleblower system with mailboxes has also been set up.

Commitment

Interroll's globally applicable Codes of Conduct include fundamental, internationally recognized labor standards such as freedom of association, the exclusion of forced labor and child labor, and a working environment free of discrimination. Interroll and its suppliers do not tolerate discrimination against employees on the basis of gender, race, disability, ethnic or cultural origin, religion, belief, age, or sexual orientation.

Measures in 2020

1. Global update of our Interroll Supplier Code of Conduct for Suppliers
2. Global update of the code of conduct
3. Prevention through training
4. Continued implementation and expansion of the Compliance Management System
5. Expanded cooperation between the Chief Financial Officer and local compliance managers
6. Measurement of key performance indicators (KPI)
7. Involvement of employees
8. Training of the employees
9. Working conditions

Measurement of the results

Res 1 to 5: See the section on human rights.

Res 6: Overall, there was no reported form of forced labor or child labor at Interroll or in the supply chain in the reporting year.

Res 7: The third Group-wide Employee Engagement Survey showed very good results in 2019. Interroll has a committed workforce that is willing to go the extra mile for the company at any time. Employees also clearly confirmed the quality and customer focus within the Group. In order to verify the consistency, the next Group-wide Employee Engagement Survey is planned for the 2022 financial year.

Res 8: The Interroll Academy is the driving force behind knowledge transfer in all aspects of material handling. With our strong commitment to the training and development of our employees and the exchange of know-how with customers and partners, we make an important contribution to the success of the company and the further development of our industry. We are convinced that good training is a prerequisite for motivated employees. That is why we train them with the aim of providing them with the specialist knowledge that will enable them to serve our customers and users as competent partners in all phases of customer projects.

Our participants, who come from all areas of the company, therefore familiarize themselves during a training course not only with Interroll products, but also with the applications and problems of our customers.

Our numerous learning solutions and training offerings enable all employees to optimally develop and use their talents. A blended learning combination of hands-on workshops and new, Internet-based training methods (e-learning offerings) overcomes internal barriers and reaches inquisitive employees who cannot be on site in Baal, Germany. In this way, we also achieve global consistency. In 2020, a large amount of new content (e.g., for new product developments) was added to the learning program. Further expansion of the internal training offering is planned for 2021. In the 2020 pandemic year, the Interroll Academy greatly expanded its virtual training program and supplemented the offering to employees with new formats such as gamification apps and podcasts.



Cooperation with universities was also expanded. For example, Interroll has agreed to cooperate with the Fontys University of Applied Sciences. The common goal is to introduce students of logistics, information technology (IT), engineering and business administration to the world of modern intralogistics and to enable them to apply their acquired knowledge in practice at Interroll, the world's leading supplier of material-handling solutions.

Res 9: Interroll and its suppliers comply with all applicable laws and regulations regarding working hours and breaks. Overtime must always be worked voluntarily. Care must be taken to ensure that all employees receive appropriate remuneration and the national statutory minimum wage where applicable. Interroll and its suppliers shall ensure the safety of all employees in the workplace and guarantee a health-promoting working environment that supports accident prevention and exposes employees to as few health risks as possible. Interroll has an appropriate health and safety system in place. Employees shall receive adequate training in their native language on health and safety issues in the workplace. Health- and safety-related information shall be clearly posted in the facilities. Interroll also expects this from its suppliers. In the 2020 financial year, absences due to accidents were reduced and the number of accident-free days were successfully increased through health and safety management at Interroll.



ENVIRONMENT AND CLIMATE

Principle 7
Support a precautionary approach to environmental challenges.

Principle 8
Take initiative to create a greater sense of responsibility for the environment.

Principle 9
Encourage the development and diffusion of environmentally friendly technologies.

Commitment

The responsible use of resources and the protection of the environment and climate are core social responsibility topics and therefore also a central field of action of the Interroll strategy. Our basic principle, “Inspired by Efficiency,” refers not only to the benefits our customers can expect from Interroll solutions. With Interroll products and solutions, companies can increase their profits. They reduce their environmental footprint and ensure sustainable growth. Interroll also attaches great importance to its own resource efficiency. For Interroll, the responsible use of resources is the most important prerequisite for maintaining our technological and innovative market leadership position. Our customers also benefit from this.

Measures in 2020

1. Global update of our code of conduct for suppliers
2. Global update of the Interroll Code of Conduct
3. Prevention through training
4. Continued implementation and expansion of the Compliance Management System
5. Expanded cooperation between the Chief Compliance Officer and local officers
6. Measurement of key performance indicators (KPIs)

Measurement of the results

Res 1 to 5: See the section on human rights.

Res 6: Following the initial recording of KPIs in fiscal 2017, further target values were set for 2020. A reduction of 10% was targeted for Group-wide paper consumption. Further projects in the area of “paperless” have been initiated. A further 10% reduction is planned for 2021.



Interroll products and solutions enable customers to increase their profits. They reduce their ecological footprint and ensure sustainable growth.

CORRUPTION PREVENTION

Principle 10

Advocate against all forms of corruption, including extortion and bribery.

Commitment

We aim to actively counteract potential breaches of rules in advance through prevention and awareness-raising among our employees. In extensive classroom and e-learning training courses, our employees are trained on topics such as “antitrust law” or “gifts and invitations, conflict of interest.” The anti-bribery guidelines introduced in 2016 are designed to establish control mechanisms to ensure compliance with all applicable anti-bribery and anti-corruption regulations and to ensure that the company conducts its business in a socially responsible manner. Bribery is defined as offering, promising, granting, accepting or promoting an advantage in return for an illegal act or breach of trust. It includes accepting gratuities of material value in exchange for a commercial, contractual, governmental or personal benefit. In accordance with our code of conduct, we conduct our business honestly and ethically. We have a zero-tolerance policy regarding bribery and corruption. We are committed to acting professionally, fairly and with integrity at all times in all our business relationships, and to implementing, applying and enforcing effective anti-bribery mechanisms.

Measures in 2020

1. Global update of our code of conduct for suppliers
2. Global update of the Interroll Code of Conduct
3. Prevention through training
4. Continued implementation and expansion of the Compliance Management System
5. Expanded cooperation between Chief Financial Officer and local compliance managers
6. Global update of our anti-bribery policies
7. Controlling of the anti-bribery guidelines

Measurement of the results

Res 1 to 5: See the section on human rights.

Res 6: To ensure that our anti-bribery guidelines continue to be lived, they were updated in 2020 and translated into all national languages of our sites and distributed to all employees together with the Interroll Code of Conduct. Employees have signed the Interroll Code of Conduct, thereby committing to comply with it and with the anti-bribery guidelines. Special in-depth training was also provided at some companies.

Res 7: Overall, there were no reported forms of corruption, extortion, or bribery at Interroll or in the supply chain in the reporting year.

SUSTAINABLE DEVELOPMENT GOALS

In addition to its commitment to the UN Global Compact, Interroll is committed to selected UN Sustainable Development Goals (SDGs) of the United Nations. Interroll focuses on the following topics, which are presented here as examples:

Interroll promotes the health and well-being of its employees (SDG 3)



Interroll offers its employees the use of sports facilities at some of its sites, for example a fitness center on the company premises in Wermelskirchen, Germany, and an athletics track on the premises of the Interroll plant in Thailand. In addition, the canteen in Wermelskirchen offers meals made from organically grown ingredients. When it comes to occupational safety, Interroll meets the highest standards at all its sites worldwide and regularly monitors compliance. Employees receive appropriate training.

Interroll promotes the training of its employees (SDG 4)



Interroll is already committed to training. In Germany and Switzerland, 32 apprentices worked for Interroll during the reporting period. In addition to the regular courses offered by the Interroll Academy, Interroll supports the further training of employees with customized programs, for example with cooperation partners such as the Fraunhofer Institute or Krauthammer. In the “Culture for Growth” leadership program, over 200 managers have been trained in recent years. Interroll is currently expanding its cooperation with universities in a targeted manner in order to connect with young talent. Interroll has announced future sponsoring activities in the area of “knowledge and inspiration” and will develop them accordingly in 2021.



Efficient power supply: The robust, ready-to-use switched-mode power supplies with IP54 degree of protection are mounted directly where the protective extra-low voltage is needed, and not in the control cabinet. This allows much shorter cable lengths. The result is very short cables, which reduce power and material consumption and reduce faults such as a possible drop in line voltage, as well as a positive contribution to occupational safety.



Durability, flexibility and modularity pay off when it comes to resource consumption: despite intensive use over six years at a third-party logistics (3PL) provider in South Germany, the Interroll Crossbelt Sorter could be overhauled without any problems and reused at the fashion company Ulla Popken (Germany) in a resource-saving manner.

Interroll is committed to fair working conditions (SDG 8)



Employees are Interroll's most important asset. The company values their contributions and ensures fair working conditions. This includes compliance with working hours and break regulations as well as the offer of social benefits, collectively agreed wages, and job security. Where locally appropriate, Interroll also offers company housing.

Interroll helps drive innovation in industry and infrastructure (SDG 9)



The company is "Inspired by Efficiency" and lives this also in the handling of energy. Interroll offers numerous solutions with an energy saving potential of 20% to 50% compared to standard solutions on the market. The principle of zero pressure accumulation conveying and Interroll's focus on 24-volt/48-volt technology offer high potential to further reduce energy consumption for material flow. Interroll also offers modular solutions for increasing the productivity of existing systems as part of a retrofit. In 2020, for example, Interroll installed for a used sorter for full use at Ulla Popken in Bremen, Germany; the sorter previously had been used for several years at a contract logistics company.

Interroll is committed to the responsible consumption of materials and goods (SDG 12) and to a conscious approach to the climate (SDG 13)



The Interroll Production System (IPS), introduced in 2006, is based on the Kaizen principle and aims to achieve continuous improvement in efficiency. Thus, waste is avoided and processes are simplified. Production employees are actively involved in the process. In addition, Interroll uses digital technologies to further increase productivity. Paperless production has already been introduced at the Wermelskirchen site and the flow of information in the production area around the orders to be processed has been digitalized. From 2021 onward, the experience gained will be incorporated into a global rollout at other sites.

In the responsible use of energy, a number of measures were taken at Interroll sites in 2020. For example, at the Sant'Antonino, Switzerland, plant, the heating system was modified to save CHF 13,000 per year in heating costs by using wastewater from production. New, energy-efficient heating systems were also installed at the Wermelskirchen and Baal sites.



Jens Karolyi, Senior Vice President Corporate Marketing & People Development

AN AUTHORITY TO BE LISTENED TO

2020 was an exceptional business year that was an acid test for Interroll's performance – and for its relationship with its customers. An interview with Jens Karolyi, Senior Vice President Corporate Marketing & People Development of the Interroll Group, about responsibility in times of crisis, swimming against the current and the emotional dimension of the brand.

Mr Karolyi, the COVID-19 pandemic hit the world economy very suddenly and with full force last year. How has Interroll dealt with this crisis?

Jens Karolyi: Only in a crisis does it become apparent whether the business orientation and value compass of a company really work. In this respect, the COVID-19 pandemic has also put Interroll to the test. Our key financial figures prove that we have mastered this particular challenge over the past year. However, this stress test goes far beyond our operational performance. It also affects the values by which companies align themselves. At the beginning of the crisis, for example, the fundamental question for us was whether we should just take the plunge; in other words, wait and

see what other companies do or live up to our responsibility as a global industry leader. So the challenge is: Is responsibility just lip service for fair weather or is it really an integral part of our thinking and actions? Events such as the financial or COVID-19 crisis quickly become a litmus test for companies.

And what exactly did this acid test last year look like?

A good example was LogiMAT in Germany, the world's most important trade fair for Interroll, which was to take place in mid-March 2020 – at a time when the number of fatally ill people was already rising, especially in Italy, and the first frightening pictures were being sent around the world. More than 60,000 international visitors were expected in the exhibition halls at the time. Today, one would probably say: a potential superspreading event. Practically all sides, i.e. authorities, organizers and exhibitors, tried to hold on to the fair – which was no wonder given the economic implications of a cancellation. But we swam against the current: Out of a sense of responsibility for our customers and employees, we were the first industry giant to cancel our participation. This was based on a quick decision by our Group Management, which required courage – and became a role model. Shortly afterwards, almost all exhibitors joined us in this step, which finally forced the organizer to officially cancel the trade fair.

What does this experience mean?

Our approach showed that we not only have lean decision-making structures, but that our compass is also right. It also showed that our technological and business performance is not the only thing that is now being perceived in the industry. People look at how we behave and what our attitude is. So we are well on the way to becoming an authority whose opinion is taken very seriously, beyond daily issues. This is not only a good sign, but also an obligation for the company.

In what way?

Because we must not disappoint this leap of faith that we have earned over many years as a neutral provider of material flow solutions. Our attitude – also and especially when it comes to future questions – must therefore always be well-founded so that customers and users can understand it. In this role, we will not be forgiven for rash decisions and an opportunistic zigzag course.

And in what areas could this changed role have an impact?

First of all, wherever our industry needs to be clear about common concerns. One example is overdue questions on international standardization, for example when it comes to defining communication and

data standards in smart logistics. Here we should and can have a say – especially in the interests of our customers. And not only through our own expertise, which we have expanded in research and development, for example, but also on the basis of the exchange of experience with our international partners in the Rolling On Interroll network. The aim here is to stimulate and support appropriate discussions and to make the professional expertise and market knowledge of the global SME sector heard.

Does this self-image also have an impact on the positioning of the brand?

Yes. What we see in the development described above is that emotional aspects are becoming increasingly important in the external perception of our brand promise, which encompasses speed, quality and experienced simplicity. In future, it will therefore also be a question of not only fulfilling the rational demands placed on us. Anyone who relies on Interroll technology should do so in the knowledge and with the confidence that they can rely on us 100 percent. In other words, they simply have to feel good about having Interroll as a competent partner at their side.

However, this requires close communication with the customers. How did you respond to the lockdowns of the first wave of infection?

Instead of licking our wounds and shutting down our activities, we proactively stepped on the gas pedal. Visits to customers and even our own trips to our locations were no longer possible. There was great uncertainty among customers, users and employees. Would there be plant closures? What would the hygiene rules look like? Would we continue to work on orders? Were orders still possible at all? So they wanted to know rightly: How does Interroll behave in the crisis? To answer this question, we quickly set up a live stream with the managers responsible for Europe, America and Asia, which met with great interest from our customers and employees. Afterwards it was clear that Interroll will not let anyone down in the crisis and will face up to its special responsibility.

And how did you try to compensate for the cancelled trade fairs?

Even before we cancelled LogiMAT, we were of course already looking intensively at alternatives. So we were able to use the cancellation of the fair as a momentum. We were the first in the industry to set up our own “trade fair” on the Internet and offer it to visitors from all over the world. The spectrum of topics ranged from multimedia product presentations via live stream with chat function to videos with expert tips and completely interactive webinars. Customers were given the opportunity to ask questions and network directly with the relevant product and sales experts. Some of these

“Anyone who relies on Interroll technology should do so in the knowledge and with the confidence that they can rely on us 100 percent.”

presentations were then produced not only in English or German, but in 17 languages. The demand was extremely high – also because many customers were sitting in their home office themselves and could thus easily satisfy their professional information needs. During this time, the traffic on our website increased fivefold and we were able to generate up to 700 customer contacts per day.

So this was an important tool for sales?

Absolutely. This has certainly helped the sales staff a lot to look after existing and prospective customers. But in the end, this measure was also an important test of the values and attitudes that we have been addressing in the training programs of the Interroll Academy over the past few years. These international training sessions are, after all, among other things about sensitizing managers from a wide range of different areas to the need for seamless cooperation across departmental boundaries. And this is exactly what we have been able to demonstrate here in the digital world through the interaction of marketing, sales and product management. Everyone involved really pulled together and did an outstanding job.

Will digital communication continue to occupy a larger place in marketing in the future?

Yes. The boost that the COVID-19 crisis brought has only accelerated current trends. What was not expected for two years is now a matter of course. We will use this development to further intensify the relationship with our customers. One example is digital surveys, which will give us a comprehensive insight into our own performance and serve as an early warning system so that we can quickly make adjustments if necessary.

Have digital marketing instruments made future trade fair participations obsolete?

No. Digital channels certainly cannot completely replace personal contact. However, we are taking a close look at where and under what circumstances it still makes sense to participate in a trade show. But we are also open to new approaches in this area. We believe that it can be more effective in the interest of our customers if we simply stop by with our solution portfolio. For this reason, we plan to visit European customers on site with a mobile truck show. This will enable us to present our solutions and product innovations in a clear and even more targeted manner. This trade fair concept is not only flexible and efficient, but would also easily allow us to maintain the highest hygiene standards.

CORPORATE GOVERNANCE

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1 INTRODUCTION

Basis of the corporate governance report

The corporate governance report 2020 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange on Corporate Governance, best practice related to the Minder initiative and the regulations of the “Swiss Code of Best Practice for Corporate Governance”.

Cross references

To avoid repetition, cross-references are made to other reports in certain areas. This applies in particular to financial reporting.

2 GROUP STRUCTURE AND SHAREHOLDERS

Group structure

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

Parent company and stock listing

The holding company of the Interroll Group, Interroll Holding AG, is headquartered in Sant’Antonino (Ticino), Switzerland, and is listed on the main board of the SIX Swiss Exchange under the security number 637289. Further notes on the listing can be found in the chapter “Interroll on the capital market” on page 8 of the Annual Report.

Consolidation range

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

Significant shareholders

All significant shareholders with a reportable share of the Interroll Group are disclosed in note 3.5 (“Significant shareholders”) of the financial statements of Interroll Holding AG. Changes made during the year can be viewed on the SIX Swiss Exchange website under “Significant Shareholders with Interroll”.

Cross shareholdings

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

3 CAPITAL STRUCTURE

Share capital and voting rights

The ordinary share capital of Interroll Holding AG amounts to CHF 854,000 and is made up of 854,000 fully paid registered shares with a par value of CHF 1 each. Each share has one voting right.

Authorized or conditional capital

There is no authorized or conditional capital.

Other equity or participation instruments

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

Changes in capital

There were no changes to the capital structure in the reporting or previous year.

Limitations on transferability and nominee rights

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

Further information on equity

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

4 OPERATIONAL MANAGEMENT STRUCTURE

Functional organizational structure

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

Management structure

The Group Management and Interroll management structures are organized by function (Overall Management, Products & Technology, Global Sales & Solutions, Marketing and Finance). The Board of Directors bases its financial management of the Group on both the turnover generated in the product groups and geographic markets as well as on consolidated financial reports. In addition, Group Management assesses the achievement of financial and qualitative targets and other key performance indicators of all subsidiaries.

The Interroll Group has no advisory body.

Board of Directors

CHAIRMAN			
Urs Tanner			
VICE CHAIRMAN	AUDIT COMMITTEE	REMUNERATION COMMITTEE	OTHER MEMBERS
Paolo Bottini	Stefano Mercorio Paolo Bottini	Urs Tanner Stefano Mercorio	Ingo Specht Dr. Elena Cortona Markus Asch

Group Management

CHIEF EXECUTIVE OFFICER			
Paul Zumbühl			
CHIEF FINANCIAL OFFICER			SENIOR VICE PRESIDENT CORPORATE MARKETING & PEOPLE DEVELOPMENT
Heinz Hössli			Jens Karolyi
EXECUTIVE VICE PRESIDENT GLOBAL SALES & SOLUTIONS			EXECUTIVE VICE PRESIDENT PRODUCTS & TECHNOLOGY
Maurizio Catino			Jens Strüwing
REGIONS			
Executive Vice President Americas		Richard Keely	
Executive Vice President Asia-Pacific		Dr. Ben Xia	

Innovation

The Innovation Projects and Development Center (IPDC) develops new products and platform concepts in close cooperation with the Sales Solution Directors. Moreover, the IPDC is in charge of managing Interroll's patent activities and ensure the protection of its intellectual property.

FUNCTIONAL UNIT	MANAGED BY	COMPANY
Research & Development	Dr. Christian Ripperda	Interroll Innovation GmbH, Wermelskirchen (DE)

Global Centers of Excellence (CoE)

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

COUNTRY	FUNCTIONAL UNIT	MANAGED BY	COMPANY
A	Software & Electronics*	Andreas Eglseer*	Interroll Software & Electronics GmbH*
CH	Technopolymers	Ingo Specht	Interroll Ltd, Sant'Antonino
D	Conveyors & Sorters	Jens Strüwing	Interroll Automation GmbH, Sinsheim
D	Rollers, RollerDrive	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen
D	Industrial Drum Motors	Dr. Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal
DK	Supermarket Products	Dr. Anders-Staf Hansen	Interroll Joki A/S, Hvidovre
F	Dynamic Storage Products	Bertrand Reymond	Interroll SAS, La Roche-sur-Yon
USA	Belt Curves	Shane Belcher	Interroll Engineering West Inc., Cañon City

* From January 1, 2021

Worldwide sales and production companies

Regional Centers of Excellence (RCoE)

Regional Centers of Excellence produce for the EMEA, Americas and Asia-Pacific regions. These centers handle the full product range of the global Centers of Excellence and provide the regional sales and service subsidiaries with finished products and the assembly sites with semifinished products.

Production companies and local assemblies

Guided by the production processes and production technologies of the global Centers of Excellence, local production companies manufacture and assemble specific products from the Interroll product portfolio. They also assemble semifinished products for their local markets.

Sales and service subsidiaries

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

Management of the operational companies

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

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
Sales, service	Central Europe	J. Mandelatz	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
Sales, service	France	G. Calvez*	Interroll SAS, Saint-Pol-de-Léon (FR)
Sales, service	Northern Europe	A. Jørgensen	Interroll Nordic A/S, Hvidovre (DK)
Sales, service	Great Britain, Ireland	H. Campbell	Interroll Ltd., Kettering (GB)
Sales, service	Iberian peninsula	C. Álvarez García-Luján	Interroll España SA, Cerdanyola del Vallès (ES)
Sales, service	Czech Rep., Balkans, Hungary	F. Ratschiller	Interroll CZ s.r.o., Breclav (CZ)
Sales, service	Poland, Russia, Ukraine	F. Ratschiller	Interroll Polska sp.z.o.o., Warschau (PL)
Sales, service	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
Sales, service	Italy	C. Carnino	Interroll Italia Srl, Rho (IT)
Sales, assembly, service	Africa	K. Walker	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)
RCoE	EMEA	M. Kuhn	Interroll Kronau GmbH, Kronau (DE)

* Since January 1, 2021, Marc Langlois is Managing Director of the company.

AMERICAS

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	USA	A. McCombs	Interroll Corporation, Wilmington/NC (US)
RCoE	USA	V. Washburn	Interroll Atlanta LLC, Hiram/GA (US)
Sales, service	USA	R. Keely a.i.	Interroll USA LLC, Wilmington/NC (US)
Sales, assembly, service	Canada	S. Gravelle	Interroll Canada Ltd., Newmarket/Toronto (CA)
Sales, assembly, service	Brazil, Argentina	M. Gaio	Interroll Logística Ltda., Jaguariuna/São Paulo (BR)
Sales, service	Mexico	L. Pallares	Interroll Mexico S. de R.L. de C.V., Mexico City (MX)

ASIA-PACIFIC

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	China	M. Zhang	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
RCoE	Asia-Pacific	M.K. Lo	Interroll Shenzhen Co. Ltd., Shenzhen (CN)
Sales, service	China	J. Wang	Interroll Holding Management (Shanghai) Co. Ltd. (CN)
Sales, service	South Korea	S. Jeong	Interroll Korea Corp., Seoul (KR)
Sales, service	Japan	B. Xia a.i.	Interroll Japan Co. Ltd., Tokio (JP)
Sales, assembly, service	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
Sales, service	Singapore, South East Asia	G.W. Seng	Interroll (Asia) Pte. Ltd., Singapur (SG)
Sales, assembly, service	Australia	P. Cieri	Interroll Australia Pty. Ltd., Melbourne (AU)

5 BOARD OF DIRECTORS

Members of the Board of Directors



from left to right

*Paolo Bottini, Markus Asch, Dr. Elena Cortona, Ingo Specht,
Urs Tanner, Stefano Mercorio*

Principles of the election procedure, term of office

The Board of Directors is composed of five to seven members. Since the 2015 Annual General Meeting, the members of the Board of Directors are elected individually for a one-year term. Reelection is permitted. The shareholders Dieter Specht and Bruna Ghisalberty or their direct first-generation descendants are entitled to nominate two representatives (one representative per family) in total, as long as they hold at least 10% each of the share capital.

PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE BOARD OF DIRECTORS

MARKUS ASCH

(born 1971, German)

began his career at Kärcher in 1995 and held several management positions until he was appointed to the Kärcher Management Board in 2007. In 2010, Asch was appointed Deputy Chairman at Alfred Kärcher SE & Co. KG with headquarters in Winnenden, Germany. Since January 1, 2020, he has been Chief Technology Officer (CTO). Asch has been a member of the Board of Directors of Interroll Holding AG since 2020.

PAOLO BOTTINI

(born 1965, Swiss)

lic. iur., lawyer and tax specialist (federal diploma), held various positions within the law firm Bär & Karrer and is currently a managing partner of the firm's Lugano office. Mr Bottini has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

DR. ELENA CORTONA

(born 1970, Swiss and Italian)

has been Senior Vice President Digital Transformation in the CTO division of the Schindler Group based in Ebikon, Switzerland since 2017, having occupied a number of different management roles for the elevator company since 2001. Elena Cortona has wide-reaching expertise in the areas of research and development, transformation of market requirements in the development of products and digitalization of work processes. She holds a degree in mechanical engineering from the Polytechnic University of Turin as well as a doctorate in mechanical engineering from ETH Zurich.

STEFANO MERCORIO

(born 1963, Italian)

holds a degree in economics. He is currently working in Italy as a legal auditor and he is the founder and senior partner of Studio Castellini Mercorio & Partners. Since 1987, he has been Dottore Commercialista iscritto all "Albo dei Dottori Commercialisti e degli Esperti contabili di Bergamo." Stefano Mercorio has been a member of the Board of Directors of Interroll Holding AG since 2013.

INGO SPECHT

(born 1964, German)

holds a professional qualification as an industrial business manager from the Chamber of Commerce and Industry of Cologne, Germany. He was the owner and Managing Director of Luxis in Locarno and held various senior positions in IT, marketing and business development with the Interroll Group. He is currently serving as Managing Director of Interroll SA. Mr Specht has been a member of the Board of Directors of Interroll Holding AG since 2006.

URS TANNER

(born 1951, Swiss)

holds an Executive MBA from the University of St. Gallen, AMP Harvard and served as CEO of the Medela Group, Managing Director of the Tools & Plastics division of the Mikron Group and held leading positions with Styner & Bienz AG (Adval Tech). Currently, he is co-owner of Halcyon Associates Inc. in the USA as well as a member of the Board of Directors of Neutrik AG. Urs Tanner, a member since 2008, was appointed Vice Chairman in 2009, has served as Chairman of the Board of Directors of Interroll Holding AG since May 13, 2016, and is also a member of the Remuneration Committee.

6 INTERNAL ORGANIZATION

Constitution and committees of the Board of Directors

The Board of Directors consists of the Chairman, the Vice Chairman and the other members. The Board of Directors is assisted by two permanent committees focusing on the areas of auditing (Audit Committee) and remuneration policy (Remuneration Committee).

Audit Committee

The Audit Committee receives the audit reports prepared by the local external auditors and by the Group auditor and prepares a report for the Board of Directors. In particular, the Audit Committee ensures that the Group companies are being audited on a regular basis. The Audit Committee mandates the Internal Audit department to execute internal audits and reviews the resulting audit reports.

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

Remuneration Committee

The Remuneration Committee submits its proposals for the salary and the bonus of the CEO, the members of Group Management and the Board of Directors for decision. At the request of the CEO, it defines the targets for bonus payments at the beginning of the year. The Remuneration Committee is also responsible for establishing the terms of the share ownership scheme. The remuneration scheme is described in the remuneration report.

Mode of collaboration of the Board of Directors and its committees

The Board of Directors meets as often as business requires, but at least five times per year.

The meetings are convened by the Chairman of the Board of Directors. Each member of the Board of Directors may demand that a meeting be convened, specifying the item on the agenda to be discussed. The CEO participates in the meetings of the Board of Directors. Members of Group Management and other members of management may participate in meetings as required.

The Board of Directors is deemed quorate if an absolute majority of its members is present in person. Resolutions are adopted on the basis of an absolute majority of votes present. If votes are tied, the Chairman's vote counts double. All resolutions of the Board of Directors are recorded in the minutes. The meetings usually take a full day.

Meetings of the Audit Committee and the Remuneration Committee are convened as required and can be called by any member. In the 2020 financial year, the Board of Directors met on seven occasions, the Audit Committee three times and the Remuneration Committee twice for regular scheduled meetings. All required members were present for all meetings in the reporting year.

7 AUTHORITY REGULATIONS

Statutory base for authority regulations

All basic authorities and tasks of the governing bodies are set out in the Articles of Incorporation of Interroll Holding AG. The Articles of Incorporation also define responsibilities that cannot be delegated to third parties.

Responsibility of the Board of Directors

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

Management and organisational regulations

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

Active Chairman of the Board of Directors

Subject to his election, the Chairman of the Board of Directors will additionally exercise an executive function (Active Chairman) for two terms of office (Annual General Meeting [AGM] 2021 to AGM 2023). This is linked to the objective of a thorough, careful induction of the new CEO and ensuring the seamless, continuous and successful further development of the Interroll Group.

His tasks are:

- Chairing the Annual General Meeting and representing the company externally
- Leading the Board of Directors
- Preparation and supervision of the execution of the resolutions of the Board of Directors
- Audit as well as strategic support with focus on:
 1. long-term projects with strategic focus on digitalization, innovation, marketing and sales and expansion
 2. projects in the area of mergers & acquisitions
 3. investor relations

In the term of office AGM 2021 to AGM 2023, the Vice Chairman will be replaced by the “Lead Independent Director.” The latter is to ensure strict compliance with the corporate governance guidelines and represent the active Chairman of the Board of Directors in the event of any conflicts of interest.

8 INFORMATION AND CONTROL INSTRUMENTS

Reporting to the Board of Directors

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

Management Information System

The Management Information System (MIS) of the Interroll Group consolidates the balance sheet, income statement and cash flow statement, as well as various key figures relating to subsidiaries, on a monthly basis and compares the current figures with those of the previous year and the budget. On the basis of the quarterly financial statements, the budget is assessed in the form of a forecast as to whether it is attainable with regard to each entity and also for the consolidated Group. The financial reports are discussed during the meetings of the Board of Directors.

Internal audit and control instruments

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

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

9 GROUP MANAGEMENT

Group Management of the Interroll Group consisted of the following members as of the end of 2020:

NAME/YEAR OF BIRTH	NATIONALITY	FUNCTION	MEMBER SINCE
Paul Zumbühl (1957)	Swiss	Chief Executive Officer (CEO)	January 2000
Heinz Hösli (1969)	Swiss	Chief Financial Officer (CFO)	April 2020
Jens Strüwing (1969)	German	Executive Vice President Products & Technology	November 2018
Maurizio Catino (1976)	Italian	Executive Vice President Global Sales & Solutions	July 2020
Jens Karolyi (1970)	German	Senior Vice President Corporate Marketing & Culture	January 2011
Richard Keely (1972)	American	Executive Vice President Operations Americas	March 2018
Dr. Ben Xia (1966)	Chinese	Executive Vice President Operations Asia	June 2013

10 SHAREHOLDERS' PARTICIPATION RIGHTS

Representation and restriction of voting rights

Rights governing shareholder participation are in accordance with the requirements specified in the Swiss Code of Obligations. Each share has one vote. A shareholder's voting rights are restricted to a maximum of 5% of the total number of votes. Individual nominees are, however, entitled to exercise more than 5% of the total number of votes if they disclose the identity of the beneficiaries they represent and if the respective beneficiaries as a whole do not exercise more than 5% of the voting rights. This restriction of voting rights does not apply to the founding families, insofar as the individual families hold at least 10% of the share capital.

Registered shares of nominees that exceed 2% of the shares outstanding are only listed in the share register as shares furnished with voting rights if the nominee has provided written consent to the possible disclosure of names, addresses and shareholdings of those persons for whom the said nominee holds 0.5% or more of the shares outstanding.

Statutory quorum

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

Convocation of the Annual General Meeting

The invitation to the Annual General Meeting is issued at least 20 days prior to the AGM and is legally effective upon inclusion in the company's chosen vehicle of communication ("Schweizerisches *Handelsamtsblatt*"). In addition, the Board of Directors sends a written invitation to those registered shareholders listed in the share register.

Agenda and registration in the share register

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

11 CHANGE IN CONTROL AND DEFENSIVE MEASURES

Obligation to make an offer

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

Change in control clauses

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

12 AUDITOR

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

By decision of the Annual General Meeting of May 8, 2020, Interroll Holding AG has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC has been the Group Auditor of the Interroll Group since 2011. Mr. Patrick Balkanyi was the lead auditor with audit responsibility from 2012 to 2019, with Mr. Gerhard Siegrist assuming this responsibility since the 2019 financial year.

Audit fees

The audit fees charged by PwC for the audit of the business year 2019 amounted to CHF 0.5 million. The audit fees charged by PwC in 2018 amounted to CHF 0.4 million. In both the 2019 financial year and the previous year, PwC charged CHF 0.0 million for consultancy services.

Supervisory and control instruments pertaining to the audit

The Audit Committee is responsible for evaluating the external audit. The external auditors prepare an audit report to be submitted to the Board of Directors. At least two consultations are held each year between the external auditors and the Audit Committee. Material findings for each entity as well as for the consolidated accounts are presented in the "Detailed report to the Audit Committee and to the Board of Directors for the year ended 31 December 2020" that is discussed in detail.

13 INFORMATION POLICY

Contact

Interroll is committed to providing swift, transparent and synchronous information to all stakeholders. To ensure this, the Group CEO and the Group CFO are available as direct contacts.

Reports on the course of business

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

Source of information

Further relevant information and financial reports are available at www.interroll.com/investor-relations/reports-and-publications. Half-yearly and annual reports can also be downloaded from www.interroll.com as PDF documents. Since 2021, Interroll also offers a full online report at www.interroll.com/annual-report. Shareholders recorded in the share register may request the Annual Report in printed form and register for automatic delivery of the Annual Report with the Investor Relations department.

REMUNERATION REPORT

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The remuneration report provides information about the principles of Interroll's remuneration policy, the management process, and the remuneration of the Board of Directors and Group Management. It complies with the requirements of Articles 14 to 16 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (VegüV) of November 20, 2013, the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, which entered into force on August 28, 2014. Further improvements were made to this remuneration report for 2020 in terms of transparency and readability. The aim is to ensure the best possible transparency for the reader.

BASIC PRINCIPLES OF REMUNERATION

A fair and transparent remuneration system is designed to contribute to the long-term development and success of the Interroll Group as a business. The remuneration system in place at the Interroll Group is in line with its corporate strategy and is geared toward appropriately rewarding the achievement of both short-term and long-term targets. Interroll is committed to recruiting, developing, and retaining the most talented people in its particular field and industry.

The Interroll Group's remuneration policy is based on the following principles:

- The members of the Board of Directors receive a fixed cash remuneration only. This ensures the independence of the board in its supervision of Group Management.
- The ratio of fixed to variable remuneration for members of Group Management is intended as a solid, prudent framework for preventing excessive fluctuations in levels of remuneration. Specifically, it has been designed to safeguard the Group's long-term business success and to prevent an individual's willingness to take risks that could negatively impact the Group's medium- and long-term interests.
- Remuneration must be commensurate with the level of responsibility, the individual's specific contribution to the Group's success, and the individual workload of a given role. In addition, remuneration is to ensure appropriate and competitive rewards based on the role and level of individual performance.
- Share plans, which form part of the Group Management's remuneration, are aimed at rewarding the achievement of long-term Group objectives in the interests of the shareholders and fostering long-term corporate performance. The Board of Direc-

tors is responsible for defining the principles of the Group's remuneration policy and management process and is supported by the Remuneration Committee in this respect. The Board of Directors decides on the total remuneration for both the Board of Directors and Group Management and presents a proposal for approval to the Annual General Meeting.

On behalf of the Board of Directors, the Remuneration Committee prepares all proposals and the basis for remuneration decisions regarding the remuneration for both the Board of Directors and Group Management pursuant to the Articles of Incorporation, Article 23^{bis} (Remuneration Committee). Its key duties are as follows:

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

At the Annual General Meeting of Interroll Holding AG on May 7, 2021, the Board of Directors will propose for approval the maximum possible total remuneration of the Board of Directors for the period up to the Annual General Meeting 2022 and the maximum possible total remuneration for Group Management for financial year 2021. The voting rules governing the authorization of the Board of Directors and Group Management are included in the Articles of Incorporation dated May 8, 2015 (Article 12^{bis} Remuneration of the Board of Directors and Group Management).

The Articles of Incorporation can be found on the website at www.interroll.com/en/investoren/corporate-governance.

Overview of the areas of responsibilities of the Remuneration Committee, Board of Directors and Annual General Meeting

Stages of authorisation	Recommendation	Review	Authorisation
Principles of remuneration (Articles of Incorporation)	Remuneration Committee	Board of Directors	Annual General Meeting (mandatory vote)
Detailed remuneration model (remuneration regulations)	Remuneration Committee	Board of Directors	Board of Directors
Maximum total remuneration of the Board of Directors	Remuneration Committee	Board of Directors	Annual General Meeting (mandatory vote)
Individual remuneration for members of the Board of Directors	Remuneration Committee	Board of Directors	Board of Directors
Maximum total remuneration of Group Management	Remuneration Committee	Board of Directors	Annual General Meeting (mandatory vote)
Remuneration of the CEO	Remuneration Committee	Board of Directors	Board of Directors
Individual remuneration for all other members of Group Management	CEO	Remuneration Committee	Board of Directors

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration model and the determination of remuneration

Remuneration paid to members of the Board of Directors is fixed, commensurate with members' responsibilities and paid in cash or shares, and no variable components are included.

In this way, Interroll ensures the independence of the Board of Directors in its supervision of Group Management. The remuneration depends on the workload and responsibilities of the Board of Directors. Interroll ensures the independence of the Board of Directors in its supervision of the Group Management. Remuneration is based on the demands and high level of responsibility of the Board of Directors.

The annual remuneration is paid to the members of the Board of Directors of Interroll Holding AG for all services rendered by Interroll Holding AG and the Group companies directly or indirectly controlled by it. Every year, the Board of Directors determines the fixed remuneration of the members of the Board of Directors of Interroll Holding AG for the period up to the next Annual General Meeting of Interroll Holding AG on the basis of the approved Articles of Incorporation dated May 8, 2015 (Article 22^{bis}, Total Remuneration of the Board of Directors and the Management), the remuneration regulations dated March 15, 2014 and, at the request of the Remuneration Committee, subject to approval by the Annual General Meeting. All social security contributions are made by the employer.

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

Total remuneration for the 2020 term of office (audited)

The remuneration of the members of the Board of Directors (BoD) is disclosed in accordance with VegüV and OR 663c as follows:

in CHF thousands		Cash	Shares/ options	Social security*	Other benefits	Total remuneration	Shares held as of 31.12.	Voting rights in %
Urs Tanner								
2020	P, CC	270		35		305	35	0.00
2019	P, CC	270		35		305	-	0.00
Paolo Bottini								
2020	VP, AC	135		22		157	20	0.00
2019	VP, AC	135		22		157	20	0.00
Philippe Dubois								
2020	AC	100	9	11		120	205	0.03
2019	AC	100		11		111	100	0.01
Elena Cortona								
2020	***	90		15		105	15	0.00
2019	***	90		15		105		0.00
Stefano Mercorio								
2020	AC, CC	100		21		121	-	0.00
2019	CC	100		21		121	-	0.00
Ingo Specht								
2020		90		15		105	56,417	7.20
2019		90		15		105	62,045	7.91
Total Board of Directors								
2020		785	9	119	-	913	56,692	7.23
2019		785	-	119	-	904	62,165	7.93

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

* Social security costs consist of employer and employee contributions to OASI/IV.

2019 = term of office from AGM 2018 to AGM 2019; 2020 = term of office from AGM 2019 to AGM 2020

The Board of Directors has no stock options for shares in Interroll Holding AG.

Valuation of total remuneration for the 2020 term

The remuneration of CHF 913,000 (previous year: CHF 904,000) of the Board of Directors from the Annual General Meeting 2019 to the Annual General Meeting 2020 remains approximately at the level of the previous term and is significantly below the total amount of CHF 1,200,000 approved at the Annual General Meeting 2020.

Outlook for total remuneration for the 2021 term

At the Annual General Meeting on May 7, 2021, the Board of Directors proposes a maximum remuneration of CHF 1,550,000 for the term until the next Annual General Meeting in 2022 (previous year: CHF 1,200,000). As in the previous year, the proposed maximum remuneration includes a reserve for contingencies. There are two reasons for the increase of CHF 350,000: On one hand, an additional member of

the Board of Directors is to be elected at the Annual General Meeting 2021. In addition, the new Chairman of the Board of Directors is to perform his role as "Active Chairman" for two years (term of office: Annual General Meeting 2021 to Annual General Meeting 2023) and receive a correspondingly increased fee during this period. His duties are described in detail in the corporate governance report in chapter 7 ("Authority Regulations"). All other fees remain unchanged. Despite various new appointments to the Board of Directors and the Group Management as well as the expansion of the Board of Directors by one member, the combined maximum compensation of the Board of Directors and the Group Management proposed to the Annual General Meeting in May 2021 will be reduced by a total of CHF 350,000.

Other remuneration (audited) and further information

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

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

Members of the Board of Directors do not receive any flat-rate compensation for business expenses apart from the reimbursement of travel expenses actually incurred.

Loans and credits (audited)

The terms and conditions governing any loans or credits granted to members of the Board of Directors are defined in the Articles of Incorporation under Article 22^{bis} (Total Remuneration of the Board of Directors and the Management).

Interroll Holding AG and its subsidiaries did not grant any loans, advances or credits to members of the Board of Directors in the reporting years 2020 and 2019.

REMUNERATION OF GROUP MANAGEMENT

Remuneration model and the determination of total remuneration

An individual remuneration agreement exists for each Group Management member, whereby the *projected total remuneration* is based on the criteria set out below for determining remuneration and market trends for top executives in the relevant industry and country. The projected total remuneration comprises a fixed and a variable short-term remuneration component (short-term Incentive, STI) as well as a long-term remuneration component paid out in shares with a vesting period of at least four years (Long-Term Incentive, LTI).

The *projected total remuneration* may be undercut or exceeded depending on performance and the course of business. In its actions, the Group Management must at all times focus on long-term and sustainable value

creation and not on short-term profit maximization. The total remuneration of the members of the Group Management, and in particular that of the CEO, is structured in line with this objective.

The actual total remuneration is determined on the basis of the following main criteria:

- Professional and market experience
- Complexity of the task area
- Global responsibility of the function
- Personal and concrete performance contribution to the long-term strategic development as well as value enhancement of the Group

The Interroll Group consults external consultants on a case-by-case basis when designing and determining remuneration. For new appointments to the Group Management in the years 2017–2020, market comparisons for top executive positions were carried out with the respective recruiting consultants on the occasion of the personnel search in Europe and the Americas and consulted for the determination of remuneration. In addition, market comparisons were made using detailed Kienbaum and Towers Watson salary studies for top managers for the years 2017–2019. The reference group was primarily comparable companies in the manufacturing industry or production. In principle, such comparisons are based on a median positioning and adjustments are made where necessary.

In determining the total annual remuneration, all payments made by Interroll Holding AG and its directly controlled subsidiaries to the members of the Group Management are taken into account, irrespective of whether these compensate global or local activities for one or more subsidiaries in Switzerland or abroad (based on separate employment contracts) of a member of the Group Management.

On the basis of the approved Articles of Association of May 8, 2015 (Article 22^{bis} Total Remuneration of

Overview of the remuneration model for the Group Management: composition of total remuneration

Definition	Instrument	Purpose
Fixed remuneration	Monthly cash payments	Remuneration for performance of the function and all qualifications required to perform the role
Variable remuneration (Short-Term Incentive, STI)	Annual cash payment	Remuneration for the achievement of financial and individual targets in the reporting year
Long-term share participation (Long Term Incentive, LTI)	Annual share allocation with multiyear vesting period	Promoting sustainable results and a long-term focus on shareholders' interests
Social security contributions and fringe benefits	Pension scheme, insurance and non-cash benefits	Protection against risks and coverage of business expenses (car)

the Board of Directors and the Management), the remuneration regulations of March 15, 2014 and the Remuneration Committee's request, the Board of Directors sets the total remuneration of Group Management every year, subject to approval from the Annual General Meeting as of 2015.

The total remuneration of the CEO is determined by the Remuneration Committee. The total remuneration of the other members of the Group Management is determined by the CEO and submitted annually to the Remuneration Committee for approval by the Board of Directors. On the occasion of the Annual General Meeting of Interroll Holding AG on May 7, 2021, the Board of Directors will submit the maximum possible total remuneration of the Group Management for the financial year 2021 for approval.

Fixed remuneration

The amount of the fixed remuneration is contractually stipulated and generally remains unchanged for three to five years while the function remains unchanged. Adjustments may be made on the basis of the assessment of individual performance and in the event of changes to the area of responsibility.

Variable remuneration (Short-Term Incentive, STI)

According to Article 22^{bis} of the Articles of Incorporation, the variable remuneration of the Group Management may not exceed 60% of the total remuneration (or 150% of the fixed remuneration) as a rule.

For the CEO, the variable remuneration (STI) component of the fixed remuneration is 75% if the plan is achieved (with a maximum of 150% and a minimum of 0%). For operational management functions, the plan value is 50% (with a maximum of 100% and a minimum of 0%). Finally, for members with centralized roles within the holding company, the targeted amount of the variable remuneration component is 25% of fixed remuneration (with a maximum of 50% and a minimum of 0%). The maximum is a theoretical cap and not a planned metric to be achieved. See also table below.

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

"Financial success" component of variable remuneration (STI):

The weighting of the *financial success* component of variable remuneration is generally 100% for the CEO, at least 75% for operational management functions, and at least 50% of variable remuneration (STI) for central holding functions.

The corporate financial performance for calculating the *financial success* component of variable remuneration balances the amount and quality of the financial performance achieved. For this purpose, the amount of the operating profit achieved in the financial year (EBITDA) is first multiplied by a predefined percentage. The determination of the amount of this percentage results from plan remuneration and plan EBITDA. In a second step, the quality of performance is taken into account by increasing/decreasing the resulting remuneration amount through the achievement of financial performance parameters compared to a predefined benchmark set for three years. This benchmark includes two views: On the one hand the relative positioning compared to companies with solid market positioning and comparable size within a relevant industry (material handling in Europe and the United States), and on the other hand own ambitious financial mid-term performance targets.

Depending on the strategic situation of the company or the function of the members of the Group Management, individual performance parameters may be weighted differently for the performance assessment or may not be taken into account.

The table on page 65 is intended to illustrate the performance measurement:

Overview of weighting of the variable remuneration (STI) in relation to fixed remuneration:

Role in Group Management	Variable remuneration (STI) in relation to fixed remuneration			Share of "financial success" component in variable remuneration (STI)	Share of "individual targets" component in variable remuneration (STI)
	Min.	Projected	Max. ³⁾		
Group CEO	0%	Approx. 75%	150%	100%	0%
Executive VP ¹⁾	0%	Approx. 50%	100%	75%	25%
Corporate VP ²⁾	0%	Approx. 25%	50%	50%	50%

¹⁾ Executive Vice President (EVP): operational management role

²⁾ Corporate Vice President (CVP): centralized role within the holding company (Corp. Finance, Corp. Marketing)

³⁾ Max. theoretical value for cap, not intended to be an achievable target

Overview of calculation of the “financial success” component of variable remuneration (STI)

	Performance parameters (fiscal year)	Meaning
Success level	Operating profit (x % EBITDA)	Earning power
Quality of success	Operating profit margin (EBITDA %)	Profitability
	Sales growth (% compared to PY)	Market position, innovation
	Gross margin (as a % sales)	Price strength, procurement strength
	Return on invested capital (ROIC)	Management of current/fixed assets

“Individual targets” component of variable remuneration (STI):

For the *individual targets* component, between three and a maximum of five individual measurable targets are agreed every year, with either the same or a different weighting. These targets must make an important contribution to the current or long-term success of the Group or parts thereof.

Individual goals include, for example:

- Developing and launching new products
- Gaining market share
- Tapping new markets and customer segments
- Successfully integrating an acquired company
- Successful strategic projects
- Achieving inventory reduction targets, etc.

The multiyear plan basis of variable remuneration (rather than the annual budget) motivates the Group Management to think longer term, measures relative continuous improvement to prior year periods or to the aforementioned three-year fixed benchmark, and prevents short-term cost cutting in the area of market development and innovation, etc.

The Remuneration Committee may exceptionally deviate from the agreement on variable remuneration in favor of a member of the Group Management if the lack of target achievement is exclusively due to external factors. There was no deviation from the agreement in the reporting.

Long-term incentive (LTI)

Pursuant to Article 22^{bis} (Total Remuneration of the Board of Directors and the Management) of the Articles of Incorporation, shares with multiyear vesting periods may be allotted to members of Group Management as part of total remuneration.

Based on their commitment and influence, Group Management members are to participate long-term in the Group's increased value and also share the business risk as shareholders (and equity co-investors), as well as identify with Interroll's values.

CEO share plan:

As a result of this objective, a long-term share plan (LTI) was agreed with the CEO in early 2005. As a long-term remuneration component, the CEO receives a number of shares that are dependent on the performance of the share price and the exceeding of certain minimum target thresholds of earnings per share, operating profit margin (EBITDA in %) and return on invested capital (ROIC). If one or more of these three financial key performance indicators fall short of the target threshold, the agreed number of shares to be allotted will be reduced in accordance with a predefined formula. If all three financial key performance indicators exceed the target thresholds, the predefined number of shares will be allotted, but only up to a maximum cash value of CHF 500,000 after any applicable tax deduction. These shares vest over a period of at least six to eight years. The share plan as described above is agreed for a period of three years and shall remain unchanged over this period of time. The value of the defined and vested shares corresponds to approximately 20% of the *projected total remuneration* at the time the three-year cycle is contractually agreed. Upon resignation of the current CEO as of April 30, 2021, this share plan will end. The share plan of the new CEO (assumption of office May 1, 2021) corresponds to that of the rest of the Group Management.

The share plan for the rest of Group Management:

The share plan for the rest of Group Management was also introduced as a long-term remuneration component with the restructuring of the Group in 2011. Under the plan, these members of Group Management receive a number of shares as a long-term component of the variable remuneration. The shares received as part of this component must account for at least 20% and no more than 100% of variable remuneration. Each member of the rest of Group Management must reach a decision regarding the individual share to be received and report this by no later than December 15 of the current financial year, otherwise 20% will be allotted. These shares vest over four years.

Allotment arrangement:

The conversion rate for variable remuneration applicable to the number of Interroll shares allotted to the CEO and the rest of Group Management is the relevant share price on December 31 of the financial year ended less the deduction permitted for tax purposes, depending on the length of the vesting period. Shares are allotted during the first quarter of each new financial year after the results of the past financial year have been made available.

Total remuneration for 2020 (audited)

The remuneration of the members of the Group Management is disclosed as follows in accordance with Articles 14 to 16 of the Federal Council Ordinance against Excessive Compensation in Listed Stock Corporations of November 20, 2013 (VegüV), the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on August 28, 2014:

Explanation of the calculation method

The calculation method under IFRS differs in two respects from the calculation of compensation and shareholdings of the Board of Directors and the Group Management in accordance with OR 663^{bis} and 663c:

- Compensation for company cars under IFRS is based on the expenses including depreciation and lease instalments. Under the OR, a rate of 0.8% per month of the acquisition cost of the vehicles is used.
- Under IFRS, share-based remuneration is determined at market value at the allotment date. Under the OR, shares are valued at their taxable value, which is derived from the market value. As a result of the vesting period granted, the taxable value decreases compared with the market value according to the vesting period defined.
- The difference of CHF 0.486 million (previous year: CHF 0.373 million) related to company cars – CHF 0.025 million (previous year: CHF 0.033 million) and share-based payments – CHF 0.461 million (previous year: CHF 0.340 million).

Valuation of total remuneration for the 2020 financial year

Due to the financial and individual targets achieved, the total remuneration paid to the Group Management in the past year was CHF 5.380 million, at the level of the previous year (CHF 5.379 million) and significantly lower than the maximum total remuneration of CHF 5.9 million approved at the 2020 Annual General Meeting.

in CHF thousands	Remuneration (net)		Share-based compensation		Social security ²⁾	Other benefits	Total remuneration
	Fixed	Variable ¹⁾	Shares ²⁾	Options			
CEO (highest)							
2020	703	917	435	0	573	44	2,672
2019	716	891	495	0	563	43	2,708
Other members							
2020	1,583	203	488	0	308	126	2,708
2019	1,503	62	594	0	385	127	2,671
Total Group Management							
2020	2,286	1,120	923	0	881	170	5,380
2019	2,219	953	1,089	0	948	170	5,379

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

2) In the year under review, a total of 739 treasury shares were granted to senior executives as part of their bonus plans (2019: 989 shares) with a four-to eight-year sales restriction (from the date of the allotment).

The share-based compensation corresponds to the tax value.

3) Social security costs consist of employer and employee contributions to OASI/IV.

The Group Management was able to close the very challenging financial year 2020 under the influence of the COVID-19 crisis with a record result and also further strengthen the strategic position of the Interroll Group.

The total remuneration paid to the Group Management in 2020 was 107% (previous year: 107%) of the *total plan remuneration* based on the calculated target achievement in accordance with the calculation methodology described.

The variable remuneration for the Group Management was 59% (previous year: 57%) of the fixed remuneration with a plan value of 49% and 34% (previous year: 32%) of the total remuneration with a plan value of 30%.

Outlook for total remuneration for fiscal 2021

The maximum possible total remuneration 2021 submitted to the Annual General Meeting of May 7, 2021 for approval decreases to CHF 5.2 million compared to the previous year (CHF 5.9 million), mainly due to the CEO change. As in previous years, it includes a reserve for contingencies and currency fluctuations and assumes that the targets set will be substantially exceeded. The total remuneration actually paid out is generally lower than the maximum approved at the Annual General Meeting because the amount of the variable remuneration 2021 and its payment is based on the targets actually achieved in 2021. The fixed remuneration 2021 was not adjusted for any other member of the Group Management.

Other remuneration (audited) and further information

The regulations on expenses and pensions are specified in the applicable local employment terms and conditions as well as the relevant statutory and prevailing market conditions of the countries concerned, in particular Germany, the USA, China and Switzerland, and are compliant with the details contained in Article 22^{bis} (Total Remuneration of the Board of Directors and the Management) of the Articles of Incorporation. Apart from the total Group Management remuneration presented in the table, members of Group Management only receive compensation for travel costs actually incurred, upon presentation of the receipts and in accordance with the expense policy. Any flat rate expenses paid form part of the remuneration and are thus contained in the total remuneration table.

In Switzerland, the member of the Group Management contributes one-third of the savings portion of the pension fund, while the employer pays the remainder.

Members of the Group Management are provided with a company car and a mobile phone for business and private use, or a corresponding monthly flat rate is paid. The maximum permissible value limits for the company car are regulated internally. The company car is included in the total remunerations under "Other benefits."

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

Severance payments to members of Group Management are not permitted, whereby remuneration due until the termination of contractual relationships is not considered severance pay.

The notice periods for members of the Group Management are between six and nine months and thus comply with the Articles of Incorporation Article 23^{bis} (Remuneration Committee).

Loans and credits (audited)

The terms and conditions governing any loans or credits granted to members of Group Management are defined in the Articles of Incorporation under Article 22^{bis} (Total Remuneration of the Board of Directors and the Management).

Interroll Holding AG and its subsidiaries did not grant any loans, advances or credits to members of the Group Management in either of the reporting years 2020 and 2019.



REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING AG, SANT'ANTONINO

We have audited the remuneration report of Interroll Holding AG for the year ended December 31, 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 62, 66 and 67 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Interroll Holding AG for the year ended December 31, 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'G. Siegrist', written in a cursive style.

Gerhard Siegrist
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'R. Spälti', written in a cursive style.

Regina Spälti
Audit expert

Zurich, March 12, 2021

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1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

1.1 Consolidated balance sheet

in CHF thousands	see notes*	31.12.2020	in %	31.12.2019	in %
ASSETS					
Property, plant and equipment	6.1	165,231		135,504	
Intangible assets	6.3	23,744		27,119	
Financial assets		751		772	
Deferred tax assets	7.6	8,421		10,259	
Total noncurrent assets		198,147	42.3	173,654	39.9
Inventories	6.5	62,586		67,588	
Current tax assets		1,855		889	
Trade and other accounts receivable	6.6	107,942		109,153	
Cash and cash equivalents	6.7	98,312		83,779	
Total current assets		270,695	57.7	261,409	60.1
Total assets		468,842	100.0	435,063	100.0
EQUITY AND LIABILITIES					
Share capital	6.10	854		854	
Share premium		8,660		8,479	
Reserve for own shares		-56,352		-26,745	
Translation reserve		-74,009		-61,587	
Retained earnings		432,837		383,019	
Total equity		311,990	66.5	304,020	69.9
Financial liabilities	6.12	5,794		6,688	
Deferred tax liabilities	7.6	1,723		4,304	
Pension liabilities	6.14	9,462		8,859	
Provisions	6.13	9,550		8,855	
Total noncurrent liabilities		26,529	5.7	28,706	6.6
Financial liabilities	6.12	297		197	
Current tax liabilities	7.6	19,411		18,579	
Advances received from customers	6.15	41,918		16,645	
Trade and other accounts payable	6.15	68,697		66,916	
Total current liabilities		130,323	27.8	102,337	23.5
Total liabilities		156,852	33.5	131,043	30.1
Total liability and shareholder's equity		468,842	100.0	435,063	100.0

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

1.2 Consolidated income statement

in CHF thousands	see notes*	2020	in %	2019	in %
Sales	5	530,629	100.0	559,664	100.0
Material expenses		-209,783	-39.5	-238,433	-42.6
Personnel expenses	6.14 & 7.1	-138,910	-26.2	-151,337	-27.0
Increase/(decrease) in work in progress, finished products and own goods capitalized		105	0.0	-3,498	-0.6
Other operating expenses	7.3	-71,483	-13.5	-73,367	-13.1
Other operating income	7.4	4,855	0.9	3,079	0.6
Operating result before depreciation and amortization (EBITDA)		115,413	21.7	96,108	17.1
Depreciation	6.1	-17,966	-3.4	-17,815	-3.2
Amortization	6.3	-3,374	-0.6	-5,971	-1.1
Operating result (EBIT)		94,073	17.7	72,322	12.9
Finance expenses		-1,978	-0.4	-1,207	-0.2
Finance income		543	0.1	935	0.2
Finance result, net	7.5	-1,435	-0.3	-272	-0.0
Result before income taxes		92,638	17.5	72,050	12.9
Income tax expense	7.6	-20,896	-4.0	-16,016	-2.9
Result		71,742	13.5	56,034	10.0
Result attributable to:					
- non-controlling interests		-	-	-	-
- owners of Interroll Holding AG		71,742	13.5	56,034	10.0
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	85.97		66.69	
Diluted earnings (result) per share	6.11	85.97		66.69	
dividend payment		22.50		22.00	

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

1.3 Consolidated statement of comprehensive income

in CHF thousands	see notes*	2020	in %	2019	in %
Result		71,742		56,034	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pension liabilities	6.14	-3,876		-506	
Income tax		786		79	
Total items that will not be reclassified to income statement		-3,090		-427	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		-12,422		-8,643	
Income taxes		-		-	
Total items that in the future may be reclassified subsequently to income statement		-12,422		-8,643	
Other income		-15,512		-9,070	
Comprehensive income		56,230		46,964	
Result attributable to:					
- non-controlling interests		-	-	-	-
- owners of Interroll Holding AG		56,230	10.6	46,964	8.4

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

1.4 Consolidated statement of cash flows

in CHF thousands	see notes*	2020	2019
Result		71,742	56,034
Depreciation, amortization and impairment	6.1 & 6.3	21,340	23,786
Loss/(gain) on disposal of tangible and intangible assets	7.3 & 7.4	909	498
Financial result, net	7.5	1,434	272
Income tax expense	7.6	20,896	16,016
Changes in inventories		937	6,873
Changes in trade and other accounts receivable		-4,560	18,505
Changes in trade and other accounts payable		31,771	-4,211
Changes in provisions, net	6.13	1,704	1,644
Income tax paid		-20,322	-19,723
Personnel expenses on share-based payments	7.1	1,388	1,787
Other non-cash expenses/(income)		-4,296	-1,858
Cash flow from operating activities		122,943	99,623
Acquisition of property, plant and equipment	6.1	-47,962	-30,550
Acquisition of intangible assets	6.3	-3,350	-3,015
Acquisition of financial assets		-59	-109
Proceeds from disposal of property, plant and equipment	6.1 & 6.3	1,825	319
Settlement of loans receivable		47	46
Interest received		540	551
Cash flow from investing activities		-48,959	-32,758
Dividends paid	1.5	-18,835	-18,510
Purchase of treasury shares		-30,814	-10,587
Repayment of financial liabilities		-4,597	-3,330
Interest paid		-276	-388
Cash flow from financing activities		-54,522	-32,815
Translation adjustments on cash and cash equivalents		-4,929	-2,238
Change in cash and cash equivalents		14,533	31,812
Cash and cash equivalents at 1 January		83,779	51,967
Cash and cash equivalents at 31 December	6.7	98,312	83,779

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

1.5 Consolidated statement of changes in equity

in CHF thousands	see notes*	Share capital	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2019		854	8,172	-17,638	-52,944	345,923	284,367
Result						56,034	56,034
Other comprehensive income, net of taxes		-	-	-	-8,643	-427	-9,070
Total comprehensive income		-	-	-	-8,643	55,607	46,964
Dividend payment, net						-18,510	-18,510
Share-based payments	7.1		307	1,480			1,787
Purchase of treasury shares incl. tax effects	6.10			-10,587			-10,587
Balance at 31 December 2019		854	8,479	-26,745	-61,587	383,019	304,020
Balance at 1 January 2020		854	8,479	-26,745	-61,587	383,019	304,020
Result						71,742	71,742
Other comprehensive income, net of taxes		-	-	-	-12,422	-3,090	-15,512
Total comprehensive income		-	-	-	-12,422	68,652	56,230
Dividend payment, net						-18,835	-18,835
Share-based payments	7.1		181	1,207			1,388
Purchase of treasury shares incl. tax effects	6.10			-30,814			-30,814
Balance at 31 December 2020		854	8,660	-56,352	-74,009	432,837	311,990

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

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

General notes on the convention of preparation

The 2019 consolidated financial statements of the Interroll Group are based on the annual financial statements of Interroll Holding AG, Sant'Antonino, and its subsidiaries as of December 31, 2020, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next years are disclosed in note 2.2 (Critical accounting estimates and judgements).

2.1 New and amended standards (IAS/IFRS) and interpretations

The Group prepares its Annual Report in accordance with IAS/IFRS. To that end, the Group regularly assesses the effects of adjustments and renewals communicated by the International Accounting Standards Board (IASB). In the year under review the adoption of new or revised standards and interpretations effective for annual period beginning on or after January 1, 2020 had no significant impact on the consolidated financial statements.

Future changes and amendments to IAS/IFRS standards and interpretations

New and revised standards and interpretations have been adopted by the IASB. However, these will not be applied until January 1, 2021 or later and have not been applied early in these consolidated financial statements. The impact of the introduction/amendment of those standards and interpretations are considered to be rather insignificant.

2.2 Critical accounting estimates and judgements

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

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

a) Income tax

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

b) Recoverable amount of goodwill, patents and licences

The assessment of the recoverable amount of goodwill and other intangible assets is, by definition, subject to uncertainties regarding expected future cash flows. It requires making adequate assumptions and calculating parameters. Detailed comments and the carrying amounts can be found under note 6.3.

c) Provisions

Liabilities from warranty are a result of the operational business of the Group. These provisions are accrued at balance sheet date based on historical experience. The actual cash flow can be lower or higher, or specific requests can be covered by insurance. The assessment of provisions and pension liabilities is, by definition, subject to uncertainties regarding future cash flows. It requires making assumptions and determining parameters, whose adequacy will only become clear in the future. We refer to comments made under notes 6.13 and 6.14, which also include the relevant carrying amounts.

2.3 Retained general accounting principles

General notes on the principles of consolidation

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

The full consolidation method is applied, whereby the assets, liabilities, income and expenses are fully incorporated. The proportion of the net assets and net income attributable to minority shareholders is presented separately as noncontrolling interests in the consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income. Accounts payable to, accounts receivable from, income and expenses between the companies included in the scope of consolidation are eliminated. Intercompany profits included in inventories of goods produced are also eliminated.

Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is obtained, while subsidiaries sold are excluded from the consolidated financial statements from the date on which control is given up. The capital consolidation at acquisition date is carried out using the purchase method. The acquisition price for such a business combination is defined by the sum of assets and liabilities acquired or incurred, measured at fair value, and of the sum of equity instruments issued. Transaction costs related to a business combination are expensed. The goodwill resulting from such a business combination is to be recognized as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of noncontrolling interests of the entity acquired, the fair value of equity instruments already held, liabilities and contingent liabilities at fair value. There is one option per transaction for the valuation of non-controlling interests. The non-controlling interests are valued either at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlling interests. Any negative goodwill is immediately recognized in the income statement after review of the fair value of the net assets acquired and set off against the purchase price. Goodwill is subject to an annual impairment test or whenever there are indications of impairment.

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

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

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

Foreign currency translation

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

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

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

	Income statement (average rates)			Balance sheet (year-end rates)		
	2020	2019	Change in %	31.12.2020	31.12.2019	Change in %
1 EUR	1.071	1.111	-3.6	1.080	1.085	-0.5
1 USD	0.935	0.993	-5.8	0.880	0.966	-8.9
1 CAD	0.697	0.750	-7.1	0.691	0.744	-7.1
1 GBP	1.205	1.269	-5.1	1.202	1.276	-5.8
1 SGD	0.679	0.729	-6.8	0.666	0.718	-7.3
1 CNY	0.136	0.144	-5.7	0.135	0.139	-3.0
1 JPY	0.009	0.009	-3.3	0.009	0.009	-4.5

Current/noncurrent distinction

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

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

Segment reporting

The Interroll Group has consisted of one single business unit since January 1, 2011. The complete product range is sold in all markets through the respective local sales organizations. The customer groups that are original equipment manufacturers (OEMs), system integrators and end users are provided with tailor-made product offerings and differentiated consulting levels. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semifinished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Center, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

Group Management and the Interroll management structure are organized by function (Overall Management, Products & Technology, Global Sales & Service, Marketing & Finance). The Board of Directors bases its financial management of the Group on both the turnover generated in the product groups and geographical markets as well as on consolidated financial reports. Group Management additionally assesses the achievement of financial and qualitative targets of all legal entities.

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

Statement of cash flows

The statement of cash flows shows the foreign currency-adjusted cash flow from operating activities, investing activities and financing measures. This shows the change in cash and cash equivalents (funds) between balance sheet dates. Cash equivalents are held for the purpose of meeting the Group's short-term cash commitments rather than for investment or any other purposes. The effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies is disclosed separately.

Cash flow from operating activities is calculated using the indirect method. The results of the financial year are adjusted in respect to the following:

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

Impairments

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

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

Impairments on the remaining assets are reversed if the estimations made in the calculation of the recoverable amount have changed and there is a reduction of the impairment amount or no impairment is required anymore. There is no reversal of impairment losses on goodwill.

Derivative financial instruments

Derivative financial instruments are stated at fair value.

The group does not apply hedge accounting as defined by IFRS, but uses derivative financial instruments to hedge transactions and cash flows ("economic hedging").

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

2.4 Retained accounting principles: balance sheet items

Property, plant and equipment

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

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

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

Land is not depreciated.

Components of major investments in fixed assets with different estimated useful lives are recognized separately and depreciated accordingly. Estimated useful lives and estimated residual values are revised on an annual basis as at the reporting date, and resulting adjustments are recorded in the income statement.

Assets under construction for which completion has not yet been concluded or which cannot yet be used are capitalized based on the costs incurred as at the closing date. Respective depreciation is recognized when the asset can be used.

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

Intangible assets

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

Standard software	3 years
ERP software	8 years
Customer relationships	5–10 years
Patents, technology and licences	6 years

Acquired customer relationships are customer values identified within the scope of IFRS 3. They are amortized based on their estimated melt-off time being a period of five to ten years. In markets in which Interroll holds a solid market position, customer value is amortized over 10 years. A shorter amortization period is defined in markets with stiff competition.

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

Furthermore, intangible values acquired through business combinations may be identified. These result from individual contractual agreements. These values are amortized over the period derived from the contractual agreement.

Goodwill with an indefinite useful life is allocated to specific cash-generating units in order to allow the identification of possible impairments. Such impairment tests are carried out on an annual basis and any impairment is recognized in the income statement. Goodwill is considered an asset component of the acquired entity. It is reported in the functional currency of that entity, then translated to the Group's reporting currency at the year-end rate.

Noncurrent assets held for sale

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

Inventory

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

Shareholders' equity

Shareholders' equity is categorized as follows:

a) Share capital

The share capital contains the fully paid-in registered shares.

b) Share premium

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

c) Treasury shares

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

d) Translation reserve

The translation reserve consists of accumulated translation differences resulting from the translation of Group subsidiaries' financial statements with a functional currency other than the Swiss franc and of intercompany loans with equity characteristics. The changes in currency differences are presented in the consolidated statement of comprehensive income.

e) Retained earnings

Retained earnings contain undistributed profits.

Provisions

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

Pension costs

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

2.5 Retained accounting principles: income statement

Material expenses

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

Product development

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

Personnel expenses: equity-based compensation schemes

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

Financial result

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

Income tax

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

Changes in deferred taxes are generally recognized in the income tax item, unless the underlying transaction has been directly recognized in other comprehensive income. In such case the related income tax is also directly recognized in the statement of comprehensive income or in equity. Temporary differences resulting from initial recognition of assets and liabilities are not recognized in the income statement. Temporary differences on the participation value of subsidiaries are recognized except if the parent is able to control the timing of the reversal of temporary differences and it is probable that the temporary difference will not be reversed in the foreseeable future. Similarly, deferred tax effects from the initial recognition of assets/debts related to a transaction that does not affect the taxable result or the annual profit are not registered in the deferred tax expense or income.

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

3 RISK MANAGEMENT

3.1 Operational and strategic risk management

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

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

3.2 Financial risk management

General information on the financial risk management of the Interroll Group

The Group's businesses are exposed to various financial risks: market risk (including foreign currency, interest rate and price risks), credit risk and cash flow risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors has supreme responsibility for risk management. To this end, the Board of Directors has delegated responsibility for the development and supervision of the risk management principles to the Audit Committee. The Audit Committee reports regularly to the Board of Directors.

The principles established for risk management are geared toward identifying and analysing those risks that might impact the Group, defining adequate limits and implementing and adhering to risk controls. The risk management principles and the related procedures are regularly verified in order to reflect changing market conditions and operations of the Group. The goal is to develop management regulations and management processes as well as a disciplined and constructive control environment through existing training and guidelines to ensure that risks are handled in a disciplined, deliberate manner.

The Audit Committee supervises the management's monitoring of compliance with principles and processes. Their adequacy is continuously verified with respect to the risks that the Group is exposed to. The Audit Committee will be supported in this respect by the internal audit department.

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

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

Market risk

Market risks to which the Interroll Group is exposed fall in the following three main risk categories:

a) Currency risk exposure

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

b) Interest rate risk

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

c) Price risk

The Group is exposed to raw material price changes (steel, copper, technical polymers) as well as to price changes in financial liabilities and assets. These risks are generally not hedged. Risks from financial assets and liabilities are hedged under certain conditions (as described in note 2.3 Retained general accounting principles).

Credit risk

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

A credit check is performed for any customers who exceed the EUR 5,000 credit limit before the order is executed. The credit check is also based on the credit information database provided by an international service provider that is a leader in this sector. Its software enables a credit limit to be determined for each individual customer based on available data using defined calculation formulas. This calculation formula is defined by the Interroll Group.

Accumulation of credit risks in trade and other accounts receivable is limited due to the large number of customers and their global distribution. The extent of credit risks is mainly determined by the individual characteristics of each single customer. The risk evaluation includes an assessment of creditworthiness by considering the customer's financial situation, its credit history and other factors. Sales and services are provided only to customers whose creditworthiness is verified by means of the process described above. A credit limit is defined for each customer. These limits are verified at least once a year.

Interroll invests its funds in short-term deposits at a multitude of banks with whom long-standing relationships exist. Such deposits have a maturity date shorter than 12 months. Likewise, transactions with derivative financial instruments are entered into only with major financial institutions. Interroll does not hold material open positions with any of these institutions.

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

Liquidity risk

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

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

3.3 Capital risk management

Objectives and principles of capital risk management

The Interroll Group strives to safeguard its going concern status by defining and adhering to a strong equity base. This base reflects the business and balance sheet risks of the Group. The Group's refinancing should be adapted to suit the asset structure and allow further growth of the business. The distribution of a regular portion of the profits shall be made possible based on the realization of an appropriate return on equity.

Equity ratio targets and payout ratio

Based on the above targets and principles, Group Management aims for a long-term equity ratio of around 50%. The ordinary payout ratio is about 30% of net profits. This ratio may vary depending on the general economic outlook and planned future investment activities.

Key figures for capital risk management

The following table shows the key indicators with regard to capital risk management. Additional information can be found inside the cover of the Annual Report:

in CHF millions, if not noted otherwise	2020	2019
Total assets	468.8	435.1
Net financial assets	92.2	76.9
– Cash	98.3	83.8
– Finance liabilities (bank + leasing)	6.1	6.9
Operating cash flow	122.9	99.6
Equity	312.0	304.0
Equity ratio (equity in % of assets)	66.5	69.9
Result	71.7	56.0
Return on equity (in %)	23.3	19.0
Non-diluted earnings per share (in CHF)	85.97	66.69
Distribution per share (in CHF)	27.00	22.50
Payout ratio (in %)	31.4	33.7

Debt covenants

Debt covenants for committed credit facilities above CHF 40 million require a minimum equity ratio of 35% (see note 6.9 Financial risks).

4 CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in financial year 2020

Acquisitions/divestitures

No acquisitions or divestitures were carried out during the year under review.

in CHF thousands	2020	2019
	Fair value	Fair value
Property, plant and equipment		99
Intangible assets (customer value)		163
Acquired goodwill		262
Inventory		128
Total assets	-	651
Total liabilities	-	0
Total acquisition costs	-	651

in CHF thousands	2020	2019
Cash settlement of acquisition		651
./. Purchase price retention		-326
Net cash used in acquisition	-	326

Changes in financial year 2019

In 2019, the business activities of our former partner in Iceland were acquired by the Interroll company in Denmark and Interroll Conveyor GmbH was incorporated in Germany.

5 SEGMENT REPORTING

Sales and noncurrent assets by geographical market

Sales and noncurrent assets by geographical market are presented as follows:

in CHF thousands	Sales				Noncurrent assets			
	2020	in %	2019	in %	2020	in %	2019	in %
Germany	62,079	11.7	85,562	15.3	98,060	51.9	69,372	42.7
Other EMEA*	224,899	42.4	235,440	42.1	36,192	19.1	37,282	22.9
Total EMEA*	286,978	54.1	321,002	57.4	134,252	71.0	106,654	65.6
USA	129,814	24.5	110,699	19.7	34,434	18.2	35,927	22.1
Other Americas	28,321	5.3	38,337	6.9	1,491	0.8	2,140	1.3
Total Americas	158,135	29.8	149,036	26.6	35,925	19.0	38,067	23.4
China	40,223	7.6	32,014	5.7	9,978	5.3	7,773	4.8
Other Asia-Pacific	45,293	8.5	57,612	10.3	8,820	4.7	10,129	6.2
Total Asia-Pacific	85,516	16.1	89,626	16.0	18,798	10.0	17,902	11.0
Total Group	530,629	100.0	559,664	100.0	188,975	100.0	162,623	100.0

* Europe, Middle East, Africa

Sales were broken down by invoice address. Noncurrent assets are disclosed excluding financial assets and deferred tax assets.

Information about major customers

Sales are transacted with more than 19,000 active customers. No customer accounts for more than 10% of Group sales.

Sales by product group

Sales broken down by product group:

in CHF thousands	2020	in %	2019	in %
Rollers	105,992	20.0	110,122	19.7
Drives	156,519	29.5	172,389	30.8
Conveyors & Sorters	221,521	41.7	223,195	39.9
Pallet Handling	46,597	8.8	53,958	9.6
Total Group	530,629	100.0	559,664	100.0

Timing of revenue recognition

All order types are recorded as revenue at one point in time. Most of the service business consists of ad hoc orders; for instance, overhaul of drum motors. Such services are charged to the customer based on an hourly rate and are invoiced at a point in time.

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Property, plant & equipment

Movements of property plant & equipment

in CHF thousands	Land & building		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
COSTS										
At 1.1.	130,567	124,092	125,743	117,291	12,992	11,899	10,525	5,408	279,827	258,690
Currency translation adj.	-4,038	-3,731	-2,872	-2,772	-378	-318	-23	-132	-7,311	-6,953
Additions	4,520	6,537	4,479	7,796	2,380	2,104	40,652	16,875	52,031	33,312
Disposals	-822	-569	-6,211	-3,328	-899	-710	-	-	-7,932	-4,607
Reclassifications	11,140	4,238	3,947	6,756	169	17	-15,270	-11,626	-14	-615
At 31.12.	141,367	130,567	125,086	125,743	14,264	12,992	35,884	10,525	316,601	279,827
ACCUMULATED DEPRECIATION & IMPAIRMENTS										
At 1.1.	-50,215	-44,831	-85,140	-81,793	-8,968	-7,776			-144,323	-134,400
Currency translation adj.	1,302	1,494	1,632	1,845	281	206			3,215	3,545
Depreciation	-7,130	-7,304	-8,882	-8,592	-1,954	-1,919			-17,966	-17,815
Disposals	704	426	6,154	2,970	831	521			7,689	3,917
Reclassifications	-	-	13	430	2	-			15	430
At 31.12.	-55,339	-50,215	-86,223	-85,140	-9,808	-8,968			-151,370	-144,323
Property, plant & equipment at 31.12.	86,028	80,352	38,863	40,603	4,456	4,024	35,884	10,525	165,231	135,504
Capital commitments	-	-	6,296	1,406	-	4			6,296	1,410
Insurance value*	140,071	129,782	139,238	135,252	-	-			279,309	265,034

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

Further notes to property, plant and equipment

In the opinion of Group Management, there were no risks at the end of the period under review which negatively impacted the carrying amount of fixed assets.

6.1.1 Leasing

Lease assets

in CHF thousands	31.12.2020	31.12.2019
Carrying amount of lease assets	7,284	6,826
of which		
– Land & building	6,712	6,267
– Production equipment & machinery	150	200
– Office equipment & motor vehicles	422	359
Additions to lease assets	4,016	2,832

Income statement

in CHF thousands	2020	2019
Depreciation of lease assets	2,954	3,275
of which		
– Land & building	2,693	2,969
– Production equipment & machinery	58	58
– Office equipment & motor vehicles	203	248
Interest on lease liabilities	239	285
Variable lease payments	–	–

Cash flow statement

in CHF thousands	2020	2019
Total cash outflow for leases	4,598	3,626

Lease liabilities by duration

in CHF thousands	2020	2019
≤ 1 year	2,427	3,074
2 years	1,954	2,035
3 years	1,007	1,424
4 years	582	963
5 years	201	656
> 5 years	–	211
Total lease liabilities (undiscounted)	6,171	8,363

6.2 Noncurrent assets held for sale

No noncurrent assets were held for sale, neither in the year under review nor in the previous year.

6.3 Intangible assets

Movements of goodwill and intangible assets

in CHF thousands	Goodwill		Software		Patents, technology and licences		Customer relationships		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
COSTS										
At 1.1.	20,264	20,436	46,126	43,701	18,763	19,274	23,857	24,442	109,010	107,853
Currency translation adj.	-770	-440	-85	-150	-153	-676	-436	-760	-1,444	-2,026
Additions	-	268	3,225	2,559	124	13	-	175	3,349	3,015
Disposals	-	-	-315	-31	-6,905	-	-2,389	-	-9,609	-31
Reclassifications	-	-	-1,548	47	1,548	152	-	-	-	199
At 31.12.	19,494	20,264	47,403	46,126	13,377	18,763	21,032	23,857	101,306	109,010
ACCUMULATED AMORTIZATION & IMPAIRMENTS										
At 1.1.	-3,126	-3,090	-38,373	-33,818	-18,543	-18,572	-21,849	-21,951	-81,891	-77,431
Currency translation adj.	-	22	61	75	153	662	372	721	586	1,480
Amortization	-	-	-2,725	-4,718	-63	-633	-586	-619	-3,374	-5,970
Disposals	-	-	315	31	5,356	-	1,446	-	7,117	31
Reclassifications	-	-58	-	57	-	-	-	-	-	-1
At 31.12.	-3,126	-3,126	-40,722	-38,373	-13,097	-18,543	-20,617	-21,849	-77,562	-81,891
Total intangible assets, net at 31.12.	16,368	17,138	6,681	7,753	280	220	415	2,008	23,744	27,119

Goodwill impairment tests

The impairment tests are generally based on a three-year plan and are prepared on the basis of discounted future free cash flows (before taxes) (value in use). The growth rate is defined as a key assumption. No further growth was taken into account in extrapolating the data. The current medium-term planning assumes more expansion investments. Free cash flows were discounted at a pretax discount rate of 10.1% in the year under review (2019: 11.5%), which reflects the market risk premium. The cash-generating unit (CGU) equals the Interroll Group. There is only one operating segment that corresponds to the reporting segment. All decisions are made at the Interroll Group level.

Sensitivity analysis of the goodwill impairment tests

The sensitivity analysis carried out in both the reporting period and the previous year showed that the present value of future cash flows would still exceed the carrying amount even if the discount rate were to increase under normal circumstances. The growth rate was reviewed in regards to its sensitivity. This review led to the conclusion that the present value of future cash flows exceeds the carrying amount even in the event of zero growth.

Software

Of the accumulated acquisition costs, CHF 41.9 million (2019: CHF 38.7 million) relate to the development and implementation of the Group's SAP software. In the year under review, the additions to this process management system amounted to CHF 3.2 million (2019: CHF 2.4 million). Amortization begins from the go-live date and ends after eight years.

Management did immediately write off software assets of CHF 0.5 million (2019: CHF 0.0 million) in the year under review. In 2020, process management for project-related execution of orders was enhanced and the manufacturing execution system was introduced (MES; digital support of production and monitoring). In the previous year, the regional competence center in Atlanta in particular was connected using SAP and enterprise content management (electronic document management) was introduced.

Patents and licences

Patents and licences are normally amortized on a straight-line basis over six years unless the life cycle is shorter. In the year under review and in the previous year, no essential patents or licences were bought. A review was performed for indications of impairment in patents and licenses. Like in the previous year, there are no signs that would indicate an impairment of this value.

Customer relationships

Customer relationships are amortized on a straight-line basis over ten years unless the life cycle is shorter. Remaining customer relationships in the USA were fully depreciated ahead of time. At the end of 2020, there was a residual amortization period of two years remaining on the majority of the customer relationships.

6.4 Assets pledged or assigned

There were no pledged assets neither in the year under review nor in the previous year.

6.5 Inventories**Detailed overview on the positions belonging to the inventory**

in CHF thousands	31.12.2020	31.12.2019
Raw materials	53,740	55,155
Work in progress	14,067	15,146
Finished products	3,224	5,935
Valuation allowance	-8,445	-8,648
Total inventory, net	62,586	67,588

No inventory was pledged in neither year under review.

Development of valuation allowance on inventory

in CHF thousands	2020	2019
Balance as per 1.1.	-8,648	-4,711
Currency translation adjustment	218	117
Additions	-962	-4,216
Reductions	947	162
Total valuation allowance on inventory as per 31.12.	-8,445	-8,648

The increase in valuation allowances relates to slow-moving or nonexistent items within the inventory. The reduction of the valuation allowance on inventory is related to the sale or scrapping of items, and to a reassessment of the valuation allowance affecting the consolidated income statement of the Group.

6.6 Trade and other receivables**Detailed overview of trade and other accounts receivable**

Trade accounts receivable arise from deliveries and services relating to the Group's operating activities. VAT, withholding tax and other current receivables are included in other accounts receivable. The other accounts receivable are analyzed for valuation adjustment like trade receivables. There was no valuation adjustment necessary on other accounts receivable in neither year under review.

in CHF thousands	31.12.2020	31.12.2019
Trade accounts receivable from goods and services	101,495	94,954
Valuation allowance	-11,228	-6,383
Total trade accounts receivable, net	90,267	88,571
Prepaid expenses and accrued income	4,139	3,937
Prepayments for inventories	4,603	4,441
Other accounts receivable	8,841	12,301
Forward exchange dealing	92	-97
Total other accounts receivable	17,675	20,582
Total trade and other accounts receivable, net	107,942	109,153

Aging and valuation allowances of trade accounts receivable

Trade accounts receivable are due and specific/general valuation allowances have been raised as follows:

in CHF thousands	31.12.2020				31.12.2019			
	Gross	Valuation allowance		Net	Gross	Valuation allowance		Net
		individual	collective			individual	collective	
Not past due	69,330	-	-	69,330	62,878	-17	-	62,861
Past due 1-30 days	9,587	-	-	9,587	12,877	-	-	12,877
Past due 31-60 days	10,867	-2,471	-	8,396	5,996	-	-	5,996
Past due 61-90 days	2,909	-	-	2,909	1,524	-	-	1,524
Past due > 90 days	8,802	-8,314	-443	45	11,679	-5,921	-445	5,313
Total trade accounts receivable	101,495	-10,785	-443	90,267	94,954	-5,938	-445	88,571

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

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

in CHF thousands	2020			2019		
	Valuation allowance			Valuation allowance		
	Total	individual	collective	Total	individual	collective
At 1.1.	-6,383	-5,938	-445	-6,906	-6,444	-462
Currency translation adjustment	3,903	3,901	2	-389	-406	17
Additions	-9,915	-9,915		-1,103	-1,103	
Allowance used	260	260		253	253	
Allowance reversed	907	907	-	1,762	1,762	-
At 31.12.	-11,228	-10,785	-443	-6,383	-5,938	-445

During the year under review, CHF 0.3 million (previous year: CHF 0.3 million) of irrecoverable trade receivables were written off. Furthermore, trade receivables of one substantial project were value adjusted. Sales are broadly diversified across geographical and industrial markets.

Currencies in trade accounts receivable

Trade accounts receivable reported in CHF are held in the following currencies:

in CHF thousands	31.12.2020	in %	31.12.2019	in %
EUR	39,547	39.0	41,594	43.8
USD	30,980	30.5	22,743	24.0
CNY	11,446	11.3	7,964	8.4
THB	3,117	3.1	1,480	1.6
DKK	2,205	2.2	2,146	2.3
all other currencies	14,200	13.9	19,027	19.9
Total trade accounts receivable, gross	101,495	100.0	94,954	100.0

Regional breakdown of trade accounts receivable

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

in CHF thousands	31.12.2020	in %	31.12.2019	in %
Europe, Middle East, Africa	46,073	45.4	48,861	51.5
Americas	34,407	33.9	24,906	26.2
Asia-Pacific	21,015	20.7	21,187	22.3
Total trade accounts receivable, gross	101,495	100.0	94,954	100.0

On average, trade accounts receivable are outstanding for 48 days (DSO). The respective values are 45 for Europe, 58 for the Americas and 39 for Asia. In the previous year, the DSO was 45 for the Group, 46 for Europe, 53 for the Americas and 40 for Asia.

6.7 Cash and cash equivalents

Items included in cash and cash equivalents

in CHF thousands	31.12.2020	31.12.19
Cash on hand, bank and postal accounts	77,551	68,201
Current deposits	20,761	15,578
Total cash and cash equivalents	98,312	83,779

Interest rates of cash and cash equivalents

Interest rates on cash and cash equivalents vary between 0% (CHF) and 13% (BRL). The respective rates for the previous year were 0% (CHF) and 13% (BRL).

Currencies held in cash and cash equivalents

in %	31.12.2020	31.12.19
EUR	14.0	30.0
CHF	5.0	10.0
CNY	29.0	24.0
USD	31.0	15.0
THB	1.0	2.0
KRW	8.0	8.0
BRL	1.0	-
ZAR	1.0	2.0
Other currencies	10.0	9.0
Total cash and cash equivalents	100.0	100.0

Transfer limitations on cash and cash equivalents

There are restrictions on cash and cash equivalents in countries like South Africa and Brazil, but no general limitations. These transfer restrictions do not have any impact on the operating activities.

6.8 Financial instruments

Reconciliation from balance sheet items to valuation categories as per IFRS 9

The table below shows an overview of financial instruments held by valuation category according to IFRS 9:

in CHF thousands	31.12.2020	31.12.2019
Cash and cash equivalents	98,312	83,779
Trade and other accounts receivable without advances	103,339	104,712
Financial assets	751	772
Total financial assets at amortized cost	202,402	189,263
Foreign currency forward contracts*	92	-97
Total financial instruments at fair value	92	-97
Trade and other accounts payable	75,721	51,669
Financial liabilities (incl. bank overdrafts)	6,091	6,885
Total financial liabilities at carrying value	81,812	58,554

* See note 6.9

Carrying amounts of cash and cash equivalents, trade and other accounts receivable and payable as well as financial assets correspond to fair value due to their short-term maturity. Customer receivables and other receivables do not include any advance payments for inventories as per IFRS 9, as such payments are not of a monetary nature, but rather a payment in kind. Financial assets are due predominantly within approximately two years and their net present values correspond very closely to their carrying amounts.

Interroll only has financial assets in the form of foreign currency forward contracts that are allocated to level 2 in the fair value hierarchy. Level 2 consists of inputs that are observable for assets and liabilities, either directly (as prices) or indirectly (derived from prices).

6.9 Financial risks

Currency risk exposure

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

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

in CHF thousands	31.12.2020					31.12.2019				
	EUR	CHF	USD	SGD	CNY	EUR	CHF	USD	SGD	CNY
Financial assets	3	75	–	–	–	3	75	–	5,142	–
Trade and other accounts receivable	5,843	354	8,349	54	1,050	5,713	3,538	4,617	29	1,517
Cash and cash equivalents incl. intercompany loans	8,027	50,625	1,584	–	29	4,848	14,893	3,892	648	352
Trade and other accounts payable	8,493	12,016	3,644	–	3,051	9,395	11,338	1,358	–	5,602
Current liabilities	1,733	–	28	–	–	3,597	873	260	–	–
Currency risks on the balance sheet (gross)	24,099	63,070	13,605	54	4,130	23,556	30,717	10,127	5,819	7,471
Elimination of same currency	-14,464	-16,868	-6,922	–	-55	-12,428	-18,212	-2,738	–	-518
Currency risks on the balance sheet (net)	9,635	46,202	6,683	54	4,075	11,128	12,505	7,389	5,819	6,953
Natural hedges	-192	-415	–	–	-85	-579	-169	–	–	-6
FX forward contracts	-3,224	-21,341	-3,435	–	-1,445	-3,948	-2,241	-4,900	-2,933	-596
Net currency risk exposure	6,219	24,446	3,248	54	2,545	6,601	10,095	2,489	2,886	6,351

The currency risk on the balance sheet (gross) is equal to the sum of all items in the balance sheet that are held in a currency other than the functional currency of the Group company. Such positions contain both Group-internal and external amounts. In a first step, these risks are added together and disclosed as a gross currency risk, as exchange rate risks can arise on both the debit and credit side of the balance sheet. "Elimination of same currency" results from offsetting short positions and long positions of currency risks that exist in the same foreign currency, and which are presented in the same group entity. Natural hedges result from netting out currency risks among all Group entities. The amount disclosed under "FX forward contracts" (foreign currency forward contracts) corresponds to the amount actually hedged and translated into CHF. Changes in the valuation of fair value hedges are recognized in the financial result (see note 7.5). The table only contains the material foreign currency risks. All others are regarded as immaterial in both years.

Net investments in foreign subsidiaries are noncurrent investments. Such investments are exposed to currency fluctuations, because they are held in a currency other than the Group's functional currency. From a macroeconomic and long-term perspective, the currency exchange effects should be neutralized by the inflation rate at the subsidiaries' domiciles. For this reason, and also due to the costs incurred in connection with the respective derivative instruments, the Group does not hedge such risks.

FX forward contracts

The Group prepares a regular rolling forecast of foreign currency cash flows: 0%–50% of such budgeted, future foreign currency flows may be hedged through forward contracts. There were no open cash flow hedges at the end of the reporting year (no open cash flow hedges in the previous year).

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

The following table shows the open currency forward contracts held by the Group at year end:

in CHF thousands			31.12.2020		31.12.2019		
Hedged currency	Sell/buy	Maturity	Notional amount in CHF	Fair value	Sell/buy	Notional amount in CHF	Fair value
USD	USD/CHF	Feb 21	662	12	USD/CHF	2,975	43
USD	USD/EUR	Feb 21	1,409	38	USD/EUR	1,924	5
USD	CAD/USD	Feb 21	869	25			
SGD	SGD/CHF				SGD/CHF	2,933	2
EUR					GBP/EUR	1,984	-48
EUR	EUR/TRY	Feb 21	893	37	EUR/TRY	880	-4
EUR					BRL/EUR	584	-22
EUR	PLN/EUR	Feb 21	962	3			
JPY							
CNY	CNY/EUR	Feb 21	1,002	1	CNY/EUR	596	-10
CNY	KRW/CNY	Feb 21	580	-11			
CHF	CHF/EUR	Feb 21	14,705	122	CHF/EUR	2,242	-28
CZK	EUR/CZK	Feb 21	675	23	EUR/CZK	501	7
CZK	CHF/CZK	Jan 21	1,496	-13			
PLN	CHF/PLN	Jan 21	1,416	-43	CHF/PLN	1,955	-7
THB	THB/CHF	Feb 21	2,936	-77	THB/CHF	3,050	-10
THB	THB/EUR	Feb 21	1,507	-27	THB/EUR	1,449	-22
CAD	CHF/CAD	Jan 21	1,734	2	CHF/CAD	1,547	-3
Total FX forward contracts				92			-97

Sensitivity analysis of currency risk exposure

As at year-end, a sensitivity analysis was carried out with respect to financial instruments. The sensitivity analysis calculates the effect of FOREX changes on the major currency pairs within the Group. These risks result in particular from differences between the currency used at the production site and the currency used for invoicing the customer. Assumed currency fluctuations would have the following effects on the foreign currency positions on the balance sheet:

in CHF thousands	31.12.2020			31.12.2019		
Currency pair	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial assets	75	–	–	75	–	–
Trade and other receivables	–	879	935	1,861	387	967
Cash and cash equiv. incl. IC-loans	50,520	3	749	14,602	2,906	107
Trade and other payables	5,355	–	570	6,624	–710	–283
Current liabilities	–	–	–	873	–	–
Gross exposure per currency pair	55,950	882	2,254	24,035	2,583	791
Risks opposing each other	–13,268	1,191	–1,142	–14,994	–215	–510
FX forward contracts	14,704	663	–869	–2,242	–2,975	–
Net FX exposure per currency pair	57,386	2,736	243	6,799	–607	281
Currency change in %	4	6	1	4	2	2
Effect on the result (+/-)	2,066	159	3	238	10	5
Income tax expense at 20.73% (previous year 20.73%)	–428	–33	–1	–49	–2	–1
Net FX exposure after income taxes	1,638	126	2	189	8	4

As with the exchange rate risk analysis, the net risks of a currency pair are first added together. The item “Elimination of countervailing risks” results from the offsetting of countervailing risks between the respective currency pair. The amount shown in the line under “FX forward contracts” (foreign currency forward contracts) corresponds to the amount actually hedged and translated into CHF. The amount shown is also deducted from the gross exchange rate risk of the currency pair as it changes linearly with a change in the currency. The assumed currency fluctuation of the reporting year corresponds to the effective change in the average exchange rate of the currency pair. Income taxes are based on the expected tax rate of a properly taxed company in Switzerland (see note 7.6).

Interest rate risks

As at the balance sheet date, the Interroll Group held net financial assets of CHF 20.8 million (previous year: CHF 15.6 million, see also note 6.12). These comprise CHF 21.5 million (previous year: CHF 16.4 million) in financial assets, of which CHF 0.8 million (previous year: CHF 0.8 million) are non-interest-bearing. There are no financial liabilities (previous year: nil). The portion of non-interest-bearing financial assets was immaterial in both years under review.

The following table divides interest-bearing assets and liabilities into fixed and variable components. Furthermore, it shows non-interest-bearing positions within financial assets and liabilities. A change in the interest rate would have had no effect on equity as the Group currently does not hold any cash flow hedges to hedge currency risks and no assets are held for sale at a fixed interest rate. Interest rate risks are assessed by the Interroll Group on an ongoing basis. The Group reserves the right to hedge future risks.

in CHF thousands	31.12.2020					31.12.2019			
	Nom. int. rate in %	Carrying amounts	Basis points		Nom. int. rate in %	Carrying amounts	Basis points		
			+100	-100			+100	-100	
FINANCIAL ASSETS									
Fixed interest rate	0.5–3.0	2,839			0.2–3.0	2,129			
Variable interest rate	0.00–0.03	17,922	179	-179	0.03–6.75	13,450	135	-135	
Not-interest-bearing	-	751			-	771			
Total deposits		21,512	179	-179		16,350	135	-135	
Total loans		-	-	-		-	-	-	
Cash on hand, bank and postal accounts		77,551				68,201			
Trade and other receivables		103,339				104,712			
Total other financial assets		180,890	-	-		172,913	-	-	
Total financial assets		202,402	179	-179		189,263	135	-135	
FINANCIAL LIABILITIES									
Bank overdrafts		1				1			
Trade and other accounts payable		75,629				51,766			
Financial liabilities		6,090				6,884			
Total trade and other accounts payable		81,720	-	-		58,651	-	-	
Total financial liabilities		81,720	-	-		58,651	-	-	
Net financial liabilities		120,682	179	-179		130,612	135	-135	

Sensitivity analysis of interest risks

Interest sensitivity is only calculated on interest-bearing items of the balance sheet. No effect is calculated on items bearing interest at a fixed rate. In these cases, calculations were performed only for interest rate reductions of no more than the interest rates concerned. As per the above analysis, the Group's annual result would have changed by CHF 0.18 million if there had been a 1 percentage point increase or decrease in interest rates. In the previous year, an increase in the interest rate of 1 percentage point would have changed the Group's result slightly by CHF 0.14 million.

Liquidity risk

The Group performs comprehensive liquidity planning on a quarterly basis. The Group holds liquidity reserves in the form of committed and uncommitted credit lines in order to satisfy unexpected and extraordinary liquidity requirements.

Credit facilities and debt covenants

The amount of unused credit facilities as at the end of the reporting year amounted to CHF 68.3 million (2019: CHF 68.0 million).

Committed credit limits amounted to CHF 40.0 million, of which CHF 20.0 million were extended for a further three years in 2018 under the same terms. They safeguard funding of the future investment program and generally serve to finance the business. The Group has always complied with the agreed debt covenants, which are as follows:

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

The maturity structure of the financial liabilities is disclosed in note 6.12 (Maturities of financial liabilities).

6.10 Information on shareholder's equity**Reconciliation from total issued shares to the outstanding shares**

	2020	2019
Issued shares par value CHF 1.00 each (previous year: CHF 1.00)	854,000	854,000
Own shares held by the Group as per 1.1.	16,559	11,848
Purchase of own shares	12,800	5,700
Attribution of shares relating to bonus plan	-739	-989
Treasury shares held by the Group as per 31.12.	28,620	16,559
thereof unreserved	28,620	16,559
Shares outstanding at 31.12.	825,380	837,441

6.11 Earnings per share

Undiluted earnings per share

The undiluted earnings per share in 2020 amount to CHF 85.97 (2019: CHF 66.69). The calculation is based on the profit attributable to the shareholders of the parent company, divided by the weighted average of shares outstanding.

	2020	2019
Result attributable to the equity holders (in thousands CHF)	71,742	56,034
Shares outstanding as per of 1.1.	837,441	842,152
Effect of the purchase of treasury shares	-3,520	-2,740
Effect of the sale/attribution of treasury shares	611	834
Weighted average of shares outstanding	834,532	840,246
Undiluted earnings per share (in CHF)	85,97	66,69

Diluted earnings per share

There were no dilutive effects during the year under review and the previous year.

	2020	2019
Result attributable to the equity holders (in thousands CHF)	71,742	56,034
Weighted average of shares outstanding (diluted)	834,532	840,246
Diluted earnings per share (in CHF)	85,97	66,69

6.12 Financial liabilities

Details of current and noncurrent financial liabilities

in CHF thousands	31.12.2020	31.12.2019
Bank overdrafts	1	1
Other loans	-	-
Lease liabilities (finance + operating)	296	196
Total current financial liabilities	297	197
Lease liabilities (finance + operating)	5,794	6,688
Total noncurrent financial liabilities	5,794	6,688
Total financial liabilities	6,091	6,885

Net financial liabilities to equity ratio

in CHF thousands	31.12.2020	31.12.2019
Total financial liabilities	6,091	6,885
./. Cash and cash equivalents	-98,312	-83,779
Net financial assets	-92,221	-76,894
Equity	311,990	304,020
Net financial debt in % of the equity	n/a	n/a

Maturities of financial liabilities

The financial liabilities as at December 31, 2020 are due as follows:

in CHF thousands	Carrying amount	Face value (undiscounted)	within 12 months	within 2 years	within 3 years	within 4 years	within 5 years	> 5 years
Other loans	-	-						
Bank overdrafts	1	1						
Trade/other accounts payable*	75,629	75,629	75,629					
Lease Liabilities	6,090	6,171	2,427	1,954	1,007	582	201	-
Total financial liabilities	81,720	81,801	78,056	1,954	1,007	582	201	0

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

The financial liabilities reported as at December 31, 2019 were due as follows:

in CHF thousands	Carrying amount	Face value (undiscounted)	within 12 months	within 2 years	within 3 years	within 4 years	within 5 years	> 5 years
Other loans	-	-						
Bank overdrafts	1	1						
Trade/other accounts payable*	51,766	51,766	51,766					
Lease Liabilities	6,884	8,363	3,074	2,035	1,424	963	656	211
Total financial liabilities	58,651	60,130	54,840	2,035	1,424	963	656	211

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

6.13 Provisions

Movements in provisions

in CHF thousands	Warranties		Other provisions		Total	
	2020	2019	2020	2019	2020	2019
At 1.1.	8,158	8,187	697	304	8,855	8,491
Currency translation adjustments	-383	-187	-14	-22	-397	-209
Provisions made	4,395	4,472	249	500	4,644	4,972
Provisions used	-2,776	-2,918	-119	-49	-2,895	-2,967
Provisions reversed	-610	-1,396	-47	-36	-657	-1,432
At 31.12.	8,784	8,158	766	697	9,550	8,855

Warranty provisions

The Group companies normally grant a 24-month warranty. The warranty provision is recognized on the basis of past experience as well as on existing warranty claims for specific projects. The warranty provision is about 1.7% (previous year: 1.5%) of sales.

Other provisions

The other provisions mainly include provisions for litigation.

6.14 Employee benefits

General information on the pension plans of the Group

The employee benefits recognized in the income statement for 2020 amounted to CHF +1.1 million (2019: CHF –3.2 million). The cost reduction in the year under review is the result of a plan change in Switzerland, which generated a positive contribution of CHF 4.2 million. Pension costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are classified as defined benefit plans under IAS 19. In 2020, 218 people participated in these defined benefit plans; in 2019, the number was 222. The Swiss plan is fully incorporated under a collective foundation. The French plan is funded by insurance. For the defined benefit plans, the pension costs in each period are calculated on the basis of an actuarial valuation. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset on the balance sheet. Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and actual developments. They are recognized in the statement of comprehensive income. It can be assumed that the assets of both plans do not include Interroll shares.

Components of defined benefit cost

in CHF thousands	2020	2019
Costs of the defined contribution plans	1,487	1,893
Past service costs incl. curtailment	–4,171	0
Current service costs, net	1,501	1,142
Administrative expenses	33	54
Interest costs	32	74
Costs of the defined benefit plans	–2,605	1,270
Effects of changes in financial assumptions	742	3,800
Effects of experience assumptions	747	1,001
Return on plan assets (excl. interest income)	2,387	–4,295
Remeasurements included in other income	3,876	506
Defined benefit costs	2,758	3,669

The expected employer's contributions will not differ materially in future years from current contributions, provided the number of employees remains stable.

Amounts recognized in the statement of financial position

in CHF thousands, per 31.12.	2020	2019
Present value of defined benefit obligation	–33,557	–35,404
Fair value of plan assets	24,095	26,545
Pension liability	–9,462	–8,859

Roll forward of the defined benefit obligation

in CHF thousands	2020	2019
Benefit obligation as per 1.1.	-35,404	-28,627
Past service costs incl. curtailment	4,171	0
Current service costs, net	-1,501	-1,142
Interest costs	-125	-279
Contributions from employees	-510	-514
Benefits paid/(funded)	1,295	-93
Benefits paid/(funded) from employer	3	18
Translation difference	3	34
Remeasurements		
– Effects of changes in financial assumptions	-742	-3,800
– Effects of experience assumptions	-747	-1,001
Benefit obligation as per 31.12.	-33,557	-35,404

Roll forward of the present value of plan assets

in CHF thousands	2020	2019
Fair value of plan assets as per 1.1.	26,545	20,811
Administrative expenses	-33	-54
Interest income	93	205
Employer contributions	662	686
Employee contributions	510	514
Benefits (funded)/paid, net	-1,295	93
Translation difference	0	-5
Income of plan assets	-2,387	4,295
Fair value of plan assets as per 31.12.	24,095	26,545

Investment categories

in CHF thousands	2020	2019
Equities (quoted market prices)	7,388	6,893
Bonds (quoted market prices)	6,028	7,502
Real estate (other than quoted market prices)	1,325	1,275
Real estate (direct investments)	5,272	6,595
Alternative investments (quoted market prices)	1,039	1,861
Qualified insurance policies*	2,351	1,874
Others	0	140
Cash	692	405
Total investments in %	24,095	26,545

* These assets are fully invested by the collective foundation of AXA in qualified insurance policies with AXA.

Net defined benefit liability (asset) reconciliation

in CHF thousands	2020	2019
Net defined benefit liability as per 1.1.	-8,859	-7,816
Defined benefit costs included in P/L	2,605	-1,270
Total remeasurements included in OCI	-3,876	-506
Employer contributions	665	704
Translation difference	3	29
Net defined benefit liability as per 31.12.	-9,462	-8,859

Actuarial assumptions

in %	2020	2019
Discount rate	0.2	0.4
Future salary increases	0.8	1.3
Expected benefit increases	0.0	0.0
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2015	BVG 2015
Weighted modified duration in years	14.1	19.7

Sensitivities

Discount rates and future salary increases are considered essential actuarial assumptions. The following effects are expected:

Discount rate	0.21%	+0.25%	-0.25%
Benefit obligation	-30,914	-29,737	-32,177
Rate of salary increase	0.80%	+0.25%	-0.25%
Benefit obligation	-30,914	-31,078	-30,754

Sensitivities are based on possible changes that are likely as at the end of 2020.

6.15 Trade and other accounts payable, accrued expenses

in CHF thousands	31.12.2020	31.12.2019
Trade accounts payable to third parties	18,269	21,809
Total trade accounts payable	18,269	21,809
Other liabilities	15,442	13,312
Advances received from customers	41,918	16,645
Total other accounts payable	57,360	29,957
Accrued personnel expenses	11,190	10,675
Accrued interest	5	4
Other accrued expenses	23,791	21,116
Total accrued expenses	34,986	31,795
Total trade and other accounts payable, accrued expenses	110,615	83,561

Advance payments received from customers mainly relate to larger customer projects in the Conveyors & Sorters and Pallet Handling-product groups. Other liabilities include VAT and social security-related liabilities. Accrued personnel expenses relate to accrued paid leave and bonuses.

Advance payments received from customers correspond to the contractual liabilities according to IFRS 15.116(a).

Sales are realized following the final approval of the respective project.

Practically all advances received from customers existing at the beginning of 2020 were recognized as revenue during the period under review.

The main changes in the inventory of advance payments received from customers for the current period are as follows:

in CHF thousands	2020	2019
Opening balance of advances received from customers	16,645	25,512
- Revenue recognized that was included in the advances received from customers balance at the beginning of the period	-13,755	-24,939
- Increases due to cash received, excl. amounts recognized as revenue during the period	41,495	16,586
Currency translation adj.	-2,467	-514
Closing balance of advances received from customers	41,918	16,645

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details of personnel expenses and number of employees

in CHF thousands	2020	2019
Wages and salaries	117,572	124,350
Social security costs	17,342	18,816
Pension costs [see note 6.14]	-1,118	3,163
Other personnel related costs	3,726	3,221
Equity-based personnel expenses to management personnel	1,388	1,787
Total personnel expenses	138,910	151,337
Thereof production-related personnel expenses	62,177	67,522
Average number of employees	2,206	2,284

In the year under review, a total of 739 treasury shares (previous year: 989) were allocated to senior employees under bonus plans, of which 734 shares (previous year: 989 shares) are subject to a sales restriction of four to eight years (from the date of allocation). The shares were measured at market value on the grant date.

7.2 Research and development expenditures

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

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

in CHF thousands	2020	2019
Research and development (R&D) expenditures	9,979	10,629
R&D in % of sales	1.88	1.90

7.3 Other operating expenses

in CHF thousands	2020	2019
Production-related expenses	10,986	11,001
Freight	13,277	13,853
Office, administration and IT services	10,669	10,031
Building costs	4,070	4,187
Traveling and transportation	3,254	6,724
Marketing	4,288	5,698
Consultancy, auditing and insurance	6,710	7,276
Provisions and allowances, net	2,795	2,316
Variable sales costs	7,725	1,826
Non-income taxes	2,451	1,734
Other expenses and services	4,349	8,223
Losses on disposals of tangible/intangible assets	909	498
Realized effects on exchange loss	-	-
Total other operating expenses	71,483	73,367

7.4 Other operating income

in CHF thousands	2020	2019
Income from freight and packing	2,564	2,445
Income from services	480	252
Government grants received	1,811	382
Total other operating income	4,855	3,079

7.5 Financial result

in CHF thousands	2020	2019
Fair value changes of foreign currency forward contracts	-189	-233
Realized currency result, net	-752	
Realized translation expenses	-756	-515
Interest expenses	-281	-459
Financial expenses	-1,978	-1,207
Realized currency result, net		264
Interest income	543	671
Financial income	543	935
Financial result, net	-1,435	-272

7.6 Income tax expense

Components of income tax expense

in CHF thousands	2020	2019
Income taxes relating to the current period	22,621	18,579
Income taxes relating to past periods, net	-1,818	-2,385
Current income tax expense	20,803	16,194
Due to temporary differences	1,203	-701
Due to tax rate changes	-1,002	518
Due to recognition/(use) of tax loss carryforwards	-101	-
Other effects (incl. acquisition)	-7	5
Deferred income tax expense/(income)	93	-178
Total income tax expense	20,896	16,016

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

Deferred tax liabilities of CHF 0.8 million (previous: CHF 0.3 million) were not recognized for withholding and other taxes on unremitted earnings. Such distributable earnings which are subject to withholding tax are normally left in the respective companies.

Reconciliation of effective tax rate

in CHF thousands	2020	2019
Result before income taxes	92,638	72,050
Income tax expense at the expected tax rate of 25.6% (2019: 20.7%)	23,718	14,936
(Tax credits)/tax charges on prior years' results, net	-1,818	-2,385
Effect from deviation to tax rates in Group companies	2,822	2,693
Tax rate changes, net	-1,002	465
(Nontaxable)/nondeductible expenses, net	-34	-1,440
(Use of unrecognized tax losses)/effect of unrecognized tax losses on the current year's result, net	-2,783	1,742
(Reversal of)/write-offs on deferred tax assets, net	-7	5
Effective (total) income tax expense	20,896	16,016

The income tax expense analysis for 2020 is based on the weighted average of the expected tax rates within the Interroll Group. In the previous year, the expected tax rate was based on the expected tax rate levied for companies taxed at the standard rate in Switzerland.

Tax effects on and expiry dates of carried forward losses

in CHF thousands	31.12.2020		31.12.2019	
	Not activated	Activated	Not activated	Activated
Expiry:				
2020	-		-	
2021	99		117	
2022				
2023	334		348	
2024	171		178	
2025 and later	312	485	10,015	
unlimited	5,585		13,734	
Total	6,501	485	24,392	-
Tax benefit	1,605	100	6,249	
Thereof unrecognizable	-1,605		-6,249	
Deferred tax assets from carried forward losses		100		-

New loss carryforwards of CHF 0.5 million resulted in a potential tax credit of CHF 0.1 million in 2020. In the period under review, tax assets of CHF 0.1 million were capitalized. In the previous year, new loss carryforwards of CHF 5.4 million resulted in a potential tax credit of CHF 1.4 million.

Deferred tax assets on unused tax losses carried forward and based on temporary differences are capitalized in case it is probable that such assets can be offset against future taxable profits. No deferred tax assets are reported on the balance sheet for the other loss carryforwards due to the not foreseeable potential for offsetting in 2020 (2019: CHF 0.0 million). The majority of unrecognized deferred taxes on loss carryforwards are loss carryforwards from Brazil and Singapoure.

Attribution of deferred tax assets/liabilities to balance sheet items

in CHF thousands	31.12.2020		31.12.2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	2,737	344	3,118	522
Property, plant and equipment	1,447	4,174	1,294	4,346
Financial assets	–	2,842	–	2,970
Inventory	2,821	91	8,600	84
Benefits of loss carryforwards	100	–	–	–
Receivables	415	145	307	1,091
Total assets	7,520	7,596	13,319	9,013
Noncurrent debts	1,437	–	1,169	–
Provisions	4,923	1,213	1,187	1,283
Current debts	1,683	182	198	59
Other liabilities	229	103	613	176
Total liabilities	8,272	1,498	3,167	1,518
Set-off	–7,371	–7,371	–6,227	–6,227
Total net	8,421	1,723	10,259	4,304

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

8 OTHER DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

8.1 Contingent liabilities

As at the end of 2020, the Interroll Group issued third-party guarantees totalling CHF 0.3 million (2019: CHF 0.2 million) in connection with customer orders for project execution. There are no other contingent liabilities in either of the years under review.

8.2 Related-party transactions

Transactions with related parties

in CHF thousands	Category	Volume		Open payables	
		2020	2019	31.12.2020	31.12.2019
Purchase of materials	a	126	298	5	10
IT investments/IT services	a	-	3	-	-
Other purchases	a	125	139	-	-
Total purchases		251	440	5	10

in CHF thousands	Category	Volume		Open receivables	
		2020	2019	31.12.2020	31.12.2019
Sale of material	a	130	16	-	-
Total services		130	16	-	-

Definition of related parties

The Interroll Group defines and categorizes its related parties as follows:

- a) Shareholders of Interroll Holding AG owning more than 3% of the share capital.

Total remuneration of the Board of the Directors

Total remuneration of the Board of Directors of Interroll Holding AG amounted to CHF 0.9 million in 2020 (2019: CHF 0.9 million). Detailed disclosures regarding the remuneration and shareholdings of the Board of Directors in accordance with Swiss law (OR) can be found in the remuneration report (see pp 59–67).

Total compensation for the Group Management

in CHF thousands	2020	2019
Salaries incl. bonus	3,820	3,582
Post-employment benefits	661	741
Equity-based compensation	1,384	1,429
Total compensation to the Group Management	5,865	5,752

As in the previous year, no loans were granted in the period under review.

Detailed disclosures regarding the remuneration of and shares held by Group Management in accordance with Swiss law can be found in the remuneration report (see pp 59–67).

8.3 Subsequent events

The consolidated financial statements for the year 2020 were approved by the Board of Directors on March 12, 2021 and are subject to further approval by the Annual General Meeting of Shareholders on May 7, 2021.

No event has occurred between December 31, 2020 and March 12, 2021 that would require adjustment to the carrying amount of the Group's assets and liabilities as at December 2020, or would require disclosure in accordance with IAS 10.

In January 2021, the company MITmacher GmbH in Austria was acquired.

8.4 Scope of consolidation

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %
Switzerland					
Interroll Holding AG	Sant'Antonino (CH)	F		CHF 854.0	
Interroll SA	Sant'Antonino (CH)	P	HD	CHF 100.0	100%
Interroll (Schweiz) AG	Sant'Antonino (CH)	F	HD	CHF 5,000.0	100%
Interroll Management AG	Sant'Antonino (CH)	F	HD	CHF 100.0	100%
EMEA (without Switzerland)					
Interroll Fördertechnik GmbH	Wermelskirchen (DE)	S	DP	EUR 25.6	100%
Interroll Engineering GmbH	Wermelskirchen (DE)	P	DHO	EUR 1,662.2	100%
Interroll Automation GmbH	Sinsheim (DE)	P	DHO	EUR 2,000.0	100%
Interroll Holding GmbH	Wermelskirchen (DE)	F	HD	EUR 500.0	100%
Interroll Kronau GmbH	Kronau (DE)	P	DHO	EUR 25.0	100%
Interroll Innovations GmbH	Baal/Hückelhoven (DE)	I	DHO	EUR 26.0	100%
Interroll Trommelmotoren GmbH	Baal/Hückelhoven (DE)	P	DHO	EUR 77.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR 2,808.0	100%
Interroll SAS	La Roche-sur-Yon (FR)	P	F	EUR 2,660.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	S	F	EUR 61.0	100%
Interroll Nordic AS	Hvidovre (DK)	S	DKP	EUR 67.1	100%
Interroll Joki AS	Hvidovre (DK)	P	HD	EUR 2,013.8	100%
Interroll Ltd.	Kettering (GB)	S	HDE	GBP 0.0	100%
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP 0.1	100%
Interroll Italia S.r.l	Rho/Cornaredo (IT)	S	HDE	EUR 10.0	100%
Interroll España SA	Cerdanyola del Vallès (ES)	S	HDE/TI	EUR 600.0	100%
Interroll CZ sro.	Breclav (CZ)	S	HDE	CZK 1,000.0	100%
Interroll Europe BV	Emmeloord (NL)	F	HD	EUR 18.2	100%
Interroll Polska Sp.z.o.o.	Warszaw (PL)	S	HD	PLZ 100.0	100%
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD/PR	TRY 1,000.0	100%
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	P/S	HD	ZAR 0.3	100%
Americas					
Interroll Corporation	Wilmington, NC (US)	P	IAU	USD 65.0	100%
Interroll USA, LLC	Wilmington, NC (US)	S	IAU	USD 0.0	100%
Interroll USA Holding, LLC	Wilmington, DE (US)	F	HD	USD 0.1	100%
Interroll Engineering West, Inc.	Cañon City, CO (US)	P	IAU	USD 0.0	100%
Interroll Atlanta, LLC	Hiram/Atlanta, GA (US)	P	IAU	USD 0.0	100%
Interroll Real Estate, LLC	Wilmington, DE (US)	F	IAU	USD 0.0	100%
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD 1,720.1	100%
Interroll Logistica Ltda	Jaguariuna/S. Paulo (BR)	P/S	HD/E	BRL 37,049.7	100%
Interroll Mexico S. de R.L. de C.V.	Mexico City (MX)	S	HD/PR	MXN 1,720.1	100%

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %
Asia-Pacific					
Interroll (Asia) Pte. Ltd.	Singapore (SG)	S	HDE	SGD 26,625.0	100%
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P	SGP	CNY 81,577.2	100%
Interroll Holding Management (Shanghai) Co. Ltd.	Shanghai (CN)	S	SGP	CNY 13,373.0	100%
Interroll Shenzhen Co. Ltd.	Shenzhen (CN)	P	SGP	CNY 5,770.0	100%
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD 51.2	100%
Interroll (Thailand) Co. Ltd.	Panthong (TH)	P/S	SGP/HD	THB 100,000.0	100%
Interroll Japan Co. Ltd.	Tokyo (JP)	S	HD	JPY 1,000.0	100%
Interroll (Korea) Corporation	Seoul (KR)	S	SGP/HD	KRW 1,500,000.0	100%

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

Owner: HD = Interroll Holding Ltd, HDE = Interroll Europe BV, TI = Interroll SA, DHO = Interroll Holding GmbH, DKP = Interroll Joki AS, F = Interroll SAS, Saint-Pol-de-Léon, E = Interroll España SA, SGP = Interroll (Asia) Pte. Ltd., Singapore, IAU = Interroll USA Holding LLC, PR = Interroll (Schweiz) AG

Changes to the scope of consolidation in 2020

During the year under review no acquisitions or divestitures were carried out. Interroll Conveyor GmbH was renamed to Interroll Innovation GmbH and the place of business was moved to Baal, Germany.

Changes to the scope of consolidation in 2019

During the reporting year, Interroll Conveyor GmbH was incorporated in Kronau, Germany.



REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING AG, SANT'ANTONINO

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Interroll Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 70 to 115) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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.

Our audit approach



Overall Group materiality: CHF 4,600,000

We concluded full scope audit work at nine reporting units in six countries.

In addition, specified audit procedures were performed on a further eleven reporting units in six countries.

Our audit scope addressed 72% of the Group's revenue.

As key audit matter the following area of focus has been identified:
Valuation of accounts receivable

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 4,600,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 230,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our instructions ensured an appropriate and a consistent audit was performed by the component auditors. In addition, we were involved in the audits of the component auditors by means of various telephone calls, written correspondence and the inspection of reports. Further, as the Group auditor, we performed audits of the consolidation, of the disclosures in the consolidated financial statements and of more complex elements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation of accounts receivable**Key audit matter**

As at December 31, 2020, trade receivables amount to CHF 90.3 million which represent a significant balance of the Group's total assets.

Due to the significant sales growth of the Group during past years with new customers, the resulting high balance of trade receivables and the significant influence of assumptions made by management in assessing impairment, the valuation of trade receivables is a focus area of our audit.

Trade receivables are stated at amortized cost less valuation adjustments. The amount of the adjustment is calculated based on expected credit losses. It consists of individual allowances for specifically identified items and collective allowances for losses incurred but not reported.

The expected future credit losses were estimated by management based on the customer's ageing profile, historical payment pattern and the past record of default of the customer.

For the purpose of impairment assessment, significant management judgements and assumptions are required for the identification of impairment events and the determination of the impairment charge.

We refer to the section "Customer and other receivables" in the accounting policies and to note 6.6 in the notes to the financial statements.

How our audit addressed the key audit matter

We have performed the following audit procedures regarding the recoverability of the accounts receivable:

- Tested the accuracy and existence of the customer receivables outstanding at the end of the year on a sample basis;
- Obtained a list of outstanding receivables and identified any debtors with potential payment difficulties through discussion with management and review of ageing structure;
- Assessed the recoverability of unsettled receivables on a sample basis through our evaluation of management's assessment with reference to the credit profile of the customers, historical payment pattern, publicly available information and latest correspondence with customers to consider if any additional allowances should be made;
- Tested subsequent settlement of trade receivables after balance sheet date on a sample basis.

Our audit results support the Board of Directors' assessment of trade receivables as at December 31, 2020.

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 and the remuneration report of Interroll Holding AG and our auditor's reports thereon.

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

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

Responsibilities 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.

PricewaterhouseCoopers AG



Gerhard Siegrist
Audit expert
Auditor in charge



Regina Spälti
Audit expert

Zurich, March 12, 2021

FINANCIAL STATEMENTS OF INTERROLL HOLDING AG

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1 FINANCIAL STATEMENTS OF INTERROLL HOLDING AG

1.1 Balance sheet

in CHF thousands	see notes*	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents		580	5,385
Accounts receivable from subsidiaries		1,535	2,033
Other receivables from third parties		264	135
Loans to subsidiaries	3.3	248	8,062
Total current assets		2,627	15,615
Investments		114,817	105,354
Loans to subsidiaries	3.3	4,412	7,885
Total noncurrent assets		119,229	113,239
Total assets		121,856	128,854
EQUITY AND LIABILITIES			
Trade and other accounts payable to subsidiaries		517	328
Trade and other accounts payable to third parties		31	16
Loans from subsidiaries	3.4	43,152	3,674
Accrued expenses		1,965	2,115
Total current liabilities		45,665	6,133
Total noncurrent liabilities		-	-
Share capital	3.5	854	854
Legal reserve			
- Share premium		8	8
- Other legal reserves		5,209	5,209
- Available earnings		126,472	143,395
Treasury shares	3.1	-56,352	-26,745
Total shareholder's equity		76,191	122,721
Total liabilities and equity		121,856	128,854

* See notes to the financial statements.

1.2 Income statement

in CHF thousands	2020	2019
Investment income	–	–
Royalty income	5,066	5,552
Other operating income	1,555	2,078
Financial income	3,678	3,220
Total income	10,299	10,850
Administration expenses	–588	–529
Personnel expenses	–2,468	–2,914
Other operating expenses	–2,554	–1,873
Financial expenses	–2,778	–3,310
Total expenses	–8,388	–8,626
Result before income taxes	1,911	2,224
Direct taxes	–	–
Result	1,911	2,224

1.3 Statement of changes in equity

in CHF thousands	Share capital	Reserves from capital contrib.	Legal reserve	Available earnings	Treasury shares	Total
As at 1.1.2019	854	8	5,209	159,681	–17,638	148,114
Result 2019				2,224		2,224
Distribution from face value reduction				–18,510		–18,510
Change of balance for treasury shares					–9,107	–9,107
As at 31.12.2019	854	8	5,209	143,395	–26,745	122,721
Result 2020				1,911		1,911
Dividend payment, net				–18,834		–18,834
Change of balance for treasury shares					–29,607	–29,607
As at 31.12.2020	854	8	5,209	126,472	–56,352	76,191

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

2.1 Accounting policies

Accounting law

The 2020 financial statements were prepared according to the provisions of Swiss law on Accounting and Financial Reporting (32nd title, Swiss Code of Obligations).

Current/noncurrent distinction

Current assets are assets expected to be realized or consumed in the normal course of the company's operating cycle or assets held for trading purposes. All other assets are classified as noncurrent assets.

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

Foreign currency translation

Transactions in foreign currencies are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising upon settlement of these transactions are included in the current year's income under financial income and financial expenses, respectively. Monetary assets and liabilities denominated in foreign currencies as at 31 December are translated using the exchange rates prevailing at the balance sheet date. Any gains or losses resulting from this translation are also included in the current year's income, except for realized gains, which are deferred.

Forgoing a cash flow statement and additional disclosures in the notes

As Interroll Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forgo presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

2.2 Valuation principles

Cash and cash equivalents, accounts receivable and payable

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

Treasury shares

Treasury shares are stated at the lower of cost and fair value.

Loans

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

Investments

Investments are stated at cost less any valuation adjustments deemed necessary to recognize a decline other than temporary in value (impairment).

Accrued expenses

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

3 NOTES TO THE FINANCIAL STATEMENTS

3.1 Treasury shares

Shares sold, acquired and held in the periods under review

In the year under review as well in the previous year, no own shares were sold. In the year under review, the Company acquired 12,800 shares (previous year: 5,700 shares). At year end 2020, the Company held 28.620 own shares at the book value of CHF 56.3 million (2019: 16,559 own shares at a book value of CHF 26.7 million).

Allocation of treasury shares to employees

739 shares (previous year: 989) at a carrying value of CHF 1.4 million (previous year: CHF 1.8 million) were attributed to employees.

3.2 Investments

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

3.3 Loans to subsidiaries

The interest rates used were the following:

	Lowest	Highest
In the year 2020	0.20%	0.50%
In the year 2019	0.00%	3.00%

Loans to subsidiaries are normally redeemable with a notice period of three months. At year end, loans of CHF 4.7 million (2019: CHF 18.8 million) were outstanding. In the year under review, no impairments were recognized on loans (previous year: CHF 2.8 million). In the year under review, of the total CHF 4.7 million in loans (2019: CHF 18.8 million), CHF 0.2 million (2019: CHF 18.8 million) was reported as short-term loans.

3.4 Loans from subsidiaries

The following interest rates were used:

	Lowest	Highest
In the year 2020	0.20%	0.49%
In the year 2019	1.00%	3.00%

Loans due from subsidiaries are normally redeemable with a notice period of three months. As at year end 2020, no Group loans were due.

3.5 Equity capital

Composition of the share capital

As in the previous year, the share capital consists of 854,000 fully paid-in registered shares with a par value of CHF 1 per share. Each share entitles the holder to equal dividend and voting rights.

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

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

Shareholder/shareholder group	31.12.2020		31.12.2019	
	Number of shares	Interest in %	Number of shares	Interest in %
Ghisalberti family	82,079	9.61	94,739	11.09
D. Specht and Family	56,417	6.61	62,045	7.27
Groupama Asset Management	43,726	5.12	43,726	5.12
Allianz Group	42,697	5.00	42,697	5.00
Stiftung Erlebnispark Fördertechnik GmbH	34,275	4.01	36,275	4.25
Invesco LTD*	–	0.00	30,065	3.52
Various other shareholders	594,806	69.65	544,453	63.75
Total	854,000	100.00	854,000	100.00

* No interest of at least 3% of the share capital

3.6 Contingent liabilities

Interroll Holding AG guarantees the joint use of existing credit facilities by Interroll (Schweiz) AG up to a maximum of CHF 42 million (2019: CHF 42 million). The credit facility was not utilized on December 31, 2020.

In addition, Interroll Holding AG issued letters of continuing financial support in favor of the following Group companies:

Country	Company
Germany	Interroll Automation GmbH, Sinsheim (DE)
France	Interroll SAS, La Roche-sur-Yon (FR)
Switzerland	Interroll (Schweiz) AG, Sant'Antonino (CH)

In the year under review and the previous year, there were no retention guarantees in favor of customers of Interroll Holding AG. Interroll Holding AG carries joint liability with respect to the federal tax authorities for value-added tax debts of all Swiss subsidiaries.

4 OTHER DISCLOSURES ACCORDING TO SWISS LAW

4.1 Full-time positions

There are no full-time employees at Interroll Holding AG.

4.2 Remuneration of and shares held by the Board of Directors and Group Management

The remuneration of the members of the Board of Directors and Group Management and the shares and options held by the members of the Board of Directors at year end are disclosed in the remuneration report in accordance with VegüV and Art. 663c, Swiss Code of Obligations (see remuneration report, pp 59–67).

4.3 Shares held by Group Management

	Shares as at 31.12.	
	2020	2019
Paul Zumbühl	22,453	21,966
Richard Keely	105	87
Dr. Christoph Reinkemeier*	–	740
Heinz Hössli**	–	–
Maurizio Catino**	–	–
Jens Strüwing	37	5
Dr. Ben Xia	682	598
Jens Karolyi	152	144
Total	23,429	23,540

* Left Group Management during financial year 2020

** Joined Group Management during financial year 2020

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of May 7, 2021 the appropriation of the available earnings as at the end of the 2020 reporting year as follows:

in CHF thousands	2020	2019
Result	1,911	2,224
Available earnings carried forward from previous year	124,561	141,171
	126,472	143,395
Distribution of a dividend of	23,058	18,834
To be carried forward	103,414	124,561
	126,472	143,395

Proposed dividend payment

The Board of Directors proposes to the Annual General Meeting to pay a dividend of CHF 27.00 per share. A maximum total of CHF 23.1 million would be distributed. In the previous year, a dividend in the amount of CHF 22.50 per share or a maximum of CHF 19.2 million was approved. If this year's dividend proposal is approved, the respective payment will be processed in the second quarter of 2021.



REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING AG, SANT'ANTONINO

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Interroll Holding AG, which comprise the balance sheet as at December 31, 2020, the income statement and the notes for the year then ended, including a summary of significant accounting policies.

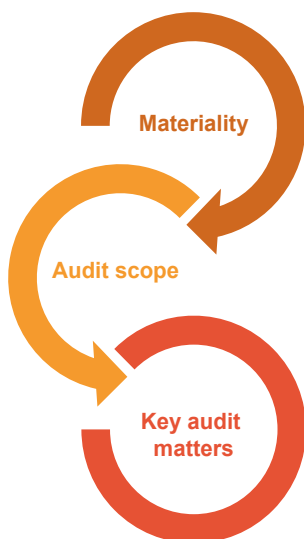
In our opinion, the financial statements (pages 122 to 127) as at December 31, 2020 comply with Swiss law and the company's articles of incorporation.

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.

Our audit approach



Overall materiality: CHF 600,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:
Impairment testing of Group assets (investments in subsidiaries and short- and long-term loans granted to subsidiaries)

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 600,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because the company primarily holds equity investments in and grants loans to subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 30,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Impairment testing of Group assets (investments in subsidiaries and short- and long-term loans granted to subsidiaries)**Key audit matter**

We consider impairment testing of Group assets to be a key audit matter because of their significance on the balance sheet. Investments in subsidiaries amount to CHF 114.8 million (94% of total assets) and loans to subsidiaries amount to CHF 4.7 million (3.9% of total assets).

Please refer to note 3.2 (Investments) and note 3.3 (Loans to subsidiaries) in “General information on the financial statements” in the notes to the financial statements of Interroll Holding AG.

How our audit addressed the key audit matter

Management carried out impairment tests on all investments in subsidiaries. We performed the following audit procedures:

Firstly, we discussed with management whether any indications of impairment were identified in relation to an investment.

Subsequently, for a sample of selected investments, we verified the factors used to calculate potential impairment and reperformed the calculation.

Management assessed individually the recoverability of short- and long-term loans granted to subsidiaries as well as investments, except where the standalone financial statements prepared in accordance with IFRS or an impairment test showed that these were confirmed by positive equity. We discussed in detail with Management their assessment and reperformed it, and we checked the outlook based on the budget approved by the Board of Directors for plausibility.

Based on the audit procedures described above, we addressed the risk of an incorrect valuation of the investments in subsidiaries and loans to subsidiaries. We have no findings to report.

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

PricewaterhouseCoopers AG



Gerhard Siegrist
Audit expert
Auditor in charge



Regina Spälti
Audit expert

Zurich, March 12, 2021

FINANCIAL CALENDAR 2021

Preliminary financial figures 2020 (unaudited)	January 26
Publication Annual Report 2020 and balance sheet press conference	March 19
Annual General Meeting	May 7
Publication Half-Year Report 2021 and web conference (English)	August 2

CONTACT AND PUBLISHING DETAILS

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

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NOTE ON THE ANNUAL REPORT

This Annual Report is also available in German. If there are differences between the two, the German version shall prevail.

NOTE ON ROUNDING

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

FORWARD-LOOKING STATEMENTS

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



Interroll Holding Ltd

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