

**ANNUAL REPORT
2019**

**QUALITY
SPEER**

EASINESS



559.7 MILLION

NET SALES

72.3 MILLION

EBIT

99.6 MILLION

OPERATING

CASH FLOW

KEY FIGURES

in CHF millions, unless stated otherwise

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|
| Order intake/net sales | | | | | |
| Total order intake | 546.5 | 592.6 | 458.1 | 405.2 | 385.1 |
| Drives | 172.4 | 170.9 | 146.7 | 123.6 | 110.3 |
| Rollers | 110.1 | 108.0 | 105.8 | 93.5 | 93.4 |
| Conveyors & Sorters | 223.2 | 220.5 | 142.6 | 120.9 | 107.2 |
| Pallet & Carton Flow* | 54.0 | 60.5 | 55.6 | 63.5 | 49.8 |
| Total net sales | 559.7 | 559.9 | 450.7 | 401.5 | 360.7 |
| Profitability | | | | | |
| EBITDA | 96.1 | 93.2 | 66.3 | 65.7 | 58.2 |
| in % of net sales | 17.1 | 16.6 | 14.7 | 16.4 | 16.1 |
| EBITA | 78.3 | 78.6 | 54.1 | 54.7 | 47.6 |
| in % of net sales | 14.0 | 14.0 | 12.0 | 13.6 | 13.2 |
| EBIT | 72.3 | 69.4 | 47.4 | 47.9 | 39.8 |
| in % of net sales | 12.9 | 12.4 | 10.5 | 11.9 | 11.0 |
| Result: Net profit | 56.0 | 51.8 | 39.1 | 36.2 | 29.3 |
| in % of net sales | 10.0 | 9.3 | 8.7 | 9.0 | 8.1 |
| Cash flow | | | | | |
| Operating cash flow | 99.6 | 67.4 | 46.2 | 36.8 | 40.2 |
| in % of net sales | 17.8 | 12.0 | 10.3 | 9.2 | 11.1 |
| Free cash flow | 66.9 | 40.9 | 20.1 | 18.0 | 17.3 |
| in % of net sales | 12.0 | 7.3 | 4.5 | 4.5 | 4.8 |
| Total investments | 33.6 | 28.6 | 25.4 | 19.5 | 24.3 |
| Balance sheet (as at 31.12.) | | | | | |
| Total assets | 435.1 | 417.6 | 355.3 | 324.8 | 293.0 |
| Goodwill | 17.1 | 17.3 | 17.6 | 17.3 | 16.7 |
| Net financial assets | 76.9 | 52.0 | 37.1 | 38.0 | 31.3 |
| Equity | 304.0 | 284.8 | 261.7 | 233.1 | 207.6 |
| Equity ratio (equity in % of total assets) | 69.9 | 68.2 | 73.6 | 71.8 | 70.9 |
| Return on equity yield (in %) | 19.0 | 19.0 | 15.8 | 16.4 | 14.4 |
| Other key figures | | | | | |
| RONA (return on net assets in %) | 22.6 | 20.9 | 16.5 | 17.1 | 15.3 |
| Average number of employees (FTE) | 2,284 | 2,198 | 2,067 | 1,892 | 1,820 |
| Net sales per employee (in CHF thousands) | 245 | 255 | 218 | 212 | 198 |
| Productivity (added value/total personnel expenses) | 2.09 | 2.17 | 2.02 | 2.11 | 2.04 |

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

* Listed as "Pallet & Carton Flow" category until 31 December 2019. From 1 January 2020, the product category will be listed as "Pallet Handling" and will include pallet conveyor technology in addition to flow storage solutions

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 559.7 million and around 2,400 employees (average headcount in 2019).

www.interroll.com

**28,000
CUSTOMERS
AROUND
THE WORLD**

**34
COMPANIES
AROUND
THE WORLD**

**2,400
EMPLOYEES
AROUND
THE WORLD**

INTERROLL PRODUCT GROUPS

DRIVES



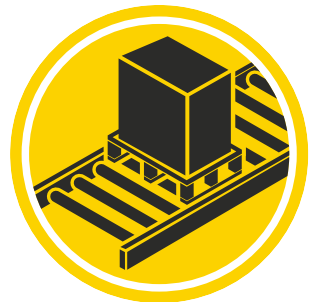
ROLLERS



CONVEYORS & SORTERS



PALLET HANDLING



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HIGHLIGHTS OF THE 2019 FINANCIAL YEAR



SORTER PROJECT IN THE COURIER AND EXPRESS SERVICES FIELD

CROSSBELT SORTERS IN DEMAND

Interroll received a major follow-up order from Siemens Postal, Parcel & Airport Logistics (SPPAL) to supply a total of five cross-belt sorters. The fully automated high-performance sorting system is to be installed in the existing system infrastructure of a Swiss reference customer.

SOLUTIONS FOR INDUSTRY 4.0

The DC Platform, a perfectly coordinated range of motor rollers, controls and power supplies in 48-volt or 24-volt technology, enables a unique range of conveyor applications.

VERSATILE PALLET CONVEYOR

Interroll is bringing a versatile pallet conveyor to market – the Modular Pallet Conveyor Platform (MPP).



CAPACITY EXPANSION UNDER WAY IN ATLANTA

\$11 MILLION INVESTMENT

The company is investing in expansion of its site in Hiram (Atlanta, USA). Completion of the second factory in mid-2020 will double Interroll's capacity in Atlanta.

TRAINING COOPERATION WITH FRAUNHOFER

Strengthening skills: The Interroll Academy began a cooperation with the Fraunhofer Institute for Material Flow and Logistics (Dortmund, Germany) to train employees on the subject of "Management of material flow processes".

MAJOR FOLLOW-UP ORDER FROM KOREA

Interroll filled a major follow-up order from a Korean e-commerce company, delivering around 12 km of Modular Conveyor Platform (MCP). This follows a major project for another distribution centre for the same client in 2017.

Q1

Q2



PRODUCTION BEGINS IN THE NEW THAILAND SITE

GREATER CAPACITY FOR SOUTH EAST ASIA

Interroll has moved to a new, advanced plant in Phantong (Thailand) to better realise growth opportunities in South East Asia. The plant has a production line for the Modular Conveyor Platform (MCP).

SERVICE ENHANCED

In August 2019, Interroll acquired agents in Reykjavik, Iceland, strengthening its sales and service activities in the food & beverage segment, in particular in the fish industry.

NEW PLANT IN MOSBACH

For optimal positioning ahead of future requirements, Interroll is reorganising its site configuration in southern Germany. The construction phase for a projected plant in Mosbach (Heidelberg region) will begin shortly. A total investment of EUR 40 million has been earmarked for the project.

Q3



END-TO-END SOLUTION

END-TO-END SOLUTION FOR AUTOMATED STORAGE

Interroll is expanding its Modular Pallet Conveyor Platform (MPP) to include a new dynamic storage stacker crane and transfer car that can enable fast, safe shipping of up to 100 pallets per hour into and out of storage. This means that Interroll solutions can provide the vital link between automated conveying and automated storage.

NEW CFO IN 2020

Interroll has announced that Heinz Hösli, 50, will be joining Interroll in the first half of 2020 in the function of Group Chief Financial Officer. He will be replacing Daniel Bättig, who left the company in late November 2019.

SUCCESS IN CANADA

In December 2019, Interroll completed delivery of a 315-metre sorter for the Canadian courier service Loomis Express. The project value is in the low seven figures (CHF).

Q4

FOCUS ON CONTINUED SOLID GROWTH



Paul Zumbühl, Chief Executive Officer

Dear shareholders, valued customers, employees, and business partners,

Following on from a record year in 2018, the Interroll Group significantly improved its performance in key areas in 2019 and also secured its future growth strategy.

The rise in the Swiss franc had a noticeable effect on sales, which reached CHF 559.7 million almost unchanged on the previous year (CHF 559.9 million), while sales growth in local currency increased by 2.3%. Interroll was able to fully compensate for the one-off large orders in the US in 2018 by increasing its product business and, in particular, by generating higher sales from smaller and medium-sized project orders in the 2019 financial year. Our high level of customer loyalty, speedy delivery and extensive global network played a key part in these strong results.

Incoming orders declined, as expected, falling by 7.8% to CHF 546.5 million (previous year: CHF 592.6 million). In local currencies, the decline was more moderate at 5.7%. Due to the absence of one-off large orders, there was a decline in business momentum across the markets throughout the second half of the year. The Group started the 2020 financial year with cautious optimism.

Owing to ongoing increases in efficiency and cost reductions, profits have continued to grow. As a result, EBITDA rose by 3.1% to CHF 96.1 million (previous year: CHF 93.2 million). The EBITDA margin was 17.1% (previous year: 16.6%).

EBIT grew by 4.2% to CHF 72.3 million (previous year: CHF 69.4 million). Net profit rose by 8.2% to CHF 56.0 million (previous year: CHF 51.8 million) with the net profit margin at 10.0% (previous year: 9.3%).

Operating cash flow increased significantly by 47.8% to CHF 99.6 million (previous year: CHF 67.4 million). Gross investments reached CHF 33.6 million, an increase on the previous year (CHF 28.6 million). Free cash flow increased sharply again, by 64.5% to CHF 66.9 million (previous year: CHF 40.9 million).

INNOVATION AND ENHANCEMENT OF THE INTERROLL PLATFORM

Interroll's consistent ability to innovate is one of the main drivers behind the Group's sustained growth, demonstrated by a number of new product launches in 2019. With the launch of its new DC (direct current) Platform, Interroll has introduced an Industry 4.0-compatible platform that has already been ordered by key market players. The Modular Pallet Conveyor Platform (MPP), which was launched in February 2019 and expanded in November 2019 to include the new stacker crane and transfer car, complements our pallet conveyor solutions portfolio. Not only that, we are now able to link processes that involve both automated storage and automated conveyance. As a result, we decided to merge our existing Pallet & Carton Flow product group with our pallet handling solution to form the new Pallet Handling product group as of 1 January 2020.



Urs Tanner, Chairman of the Board of Directors

INCREASING CAPACITY AND PRODUCTIVITY

The huge global demand for efficient materials handling solutions for e-commerce and postal and logistics services is essential to our long-term, sustainable growth. Our activities also generate a large number of orders from the food and beverage industry and airports. We are strengthening our sales activities in other emerging markets, such as Russia, Romania, Chile and the Philippines.

The Group's medium-term capacity planning is optimally positioned for this purpose. Our new plant in Thailand went operational mid-2019 and we expect to complete this expansion with the construction of an additional site in Hiram, Atlanta, USA, in the spring of 2020. Construction of our new plant in Mosbach, Germany, is due to commence shortly, with an investment of about EUR 40 million. Completion is scheduled for 2021. We are also now pressing ahead with the expansion of our production capacity in Suzhou, China, where we are investing about CHF 25 million on construction of our own site to replace the existing facility from 2022.

We were again able to increase the productivity of our existing sites by increasing the digitalisation of our business and production processes. To this end, we are focusing on increasing automation in both production and global networking.

STRENGTHENED RELATIONSHIPS WITH CUSTOMERS

We are constantly strengthening our relationships with our customers, whether through our new website, our new e-shop or the Interroll Layouter tool, which helps customers to cut the time on the planning and order process by more than 50%. Another important factor is our growing expertise in industrial management, which enables us to communicate with customers on an equal footing about industry-specific solutions.

Furthermore, our Rolling On Interroll partner programme fosters long-term cooperation with smaller system integrators and plant constructors. The partner programme now has about 100 members from 41 countries. We have created an international network for smaller system integrators and plant constructors through which they can exchange information. We enable them and promote their growth.

With digitalisation, customer expectations become more demanding. This requires continuous training for our employees. The Interroll Academy offers employee and customer training courses using the latest teaching methods, such as e-learning, mobile apps and podcasts. Our "Culture for Growth" management programme anchors our customer focus and our values deep within our culture and growth process – and we are committed to working together with our employees to drive Interroll forward.

The share price of Interroll stood at CHF 2,175.00 at 30 December 2019, up 49.8% on the year-end price for 2018 (CHF 1,452.00).

Our shareholders participate in the Group's positive performance. The Annual General Meeting on 8 May 2020 will propose an increase in the dividend to CHF 22.50 per share (previous year: CHF 22.00). Markus Asch will also be nominated for election to the Board of Directors of Interroll Holding AG at the AGM.

Sant'Antonino, 10 March 2020

Urs Tanner
Chairman
of the Board of
Directors

Paul Zumbühl
Chief Executive Officer

GROUP MANAGEMENT

From left to right

Jens Strüwing

*Executive Vice President
Products & Technology*

Dr Ben Xia

Executive Vice President Asia-Pacific

Richard Keely

Executive Vice President Americas

Paul Zumbühl

Chief Executive Officer (CEO)

Dr Christoph Reinkemeier

*Executive Vice President
Global Sales & Service*

Jens Karolyi

*Senior Vice President
Corporate Marketing & Culture*



PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF GROUP MANAGEMENT

PAUL ZUMBÜHL

(born 1957, Swiss)

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 Programme 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).

JENS STRÜWING

(born 1969, German)

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.

DR CHRISTOPH REINKEMEIER

(born 1966, German)

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

JENS KAROLYI

(born 1970, German)

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

DR BEN XIA

(born 1966, Chinese)

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 Programme for Senior Executives at the China Europe International Business School (CEIBS) in Shanghai, China. After working for Pirelli Cables Asia-Pacific as Marketing Manager, he held positions as General Manager of Shanghai Citel Electronics Co. Ltd. and Managing Director of Vanderlande Industries North Asia. In 2013, he joined the Interroll Group as Executive Vice President Asia-Pacific and is a member of Interroll Group Management.

RICHARD KEELY

(born 1972, American)

Richard Keely majored in Industrial Engineering at North Carolina State University and completed the AMP programme 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.

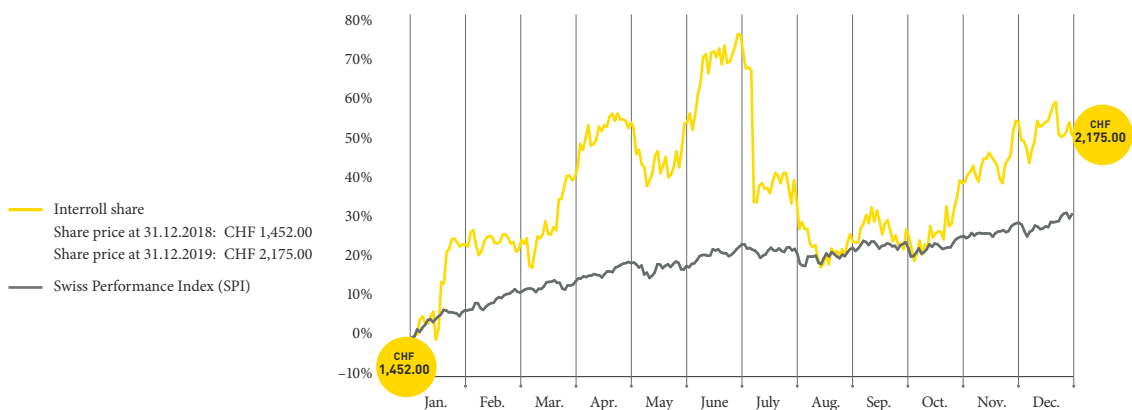
INTERROLL ON THE CAPITAL MARKET

INVESTOR INFORMATION

| Interroll share information | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|----------|----------|----------|----------|---------|
| Number of registered shares | | 854,000 | 854,000 | 854,000 | 854,000 | 854,000 |
| Number of average shares outstanding | | 840,246 | 844,801 | 849,934 | 850,634 | 849,155 |
| Number of shares outstanding at 31.12. | | 837,441 | 842,152 | 847,099 | 851,559 | 851,015 |
| Share price high | CHF | 2,540.00 | 2,020.00 | 1,475.00 | 1,172.00 | 858.00 |
| Share price low | CHF | 1,980.00 | 1,340.00 | 1,097.00 | 707.00 | 429.00 |
| Year-end share price at 31.12. | CHF | 2,175.00 | 1,452.00 | 1,443.00 | 1,110.00 | 856.50 |
| Market capitalisation at 31.12. | CHF million | 1,821.43 | 1,222.58 | 1,222.36 | 945.01 | 728.89 |
| Par value at 31.12. | CHF | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dividend | CHF | 22.50 | 22.00 | 16.50 | 16.00 | 12.00 |
| Earnings per average share outstanding | CHF | 66.69 | 61.32 | 45.95 | 42.57 | 34.51 |
| Payout ratio | | 33.74 | 35.88 | 35.91 | 37.59 | 34.78 |
| P/E ratio | | 32.51 | 23.68 | 31.40 | 26.07 | 24.82 |
| Cash flow per average share outstanding | CHF | 118.56 | 79.79 | 54.39 | 43.30 | 47.33 |
| Equity per share outstanding at 31.12. | CHF | 363.03 | 338.23 | 308.91 | 273.72 | 244.00 |

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 2019



SWISS STOCK MARKETS FIRMLY IN POSITIVE TERRITORY

Stock market performance in 2019 was quite buoyant and ended in positive territory.

The Swiss equity markets made strong gains. The Swiss Market Index (SMI) blue-chip barometer stood at 10,616 points at the end of December, resulting in an annual increase of 25.9%.

The broad Swiss Performance Index (SPI) rose to 12,837 points, 30.6% higher than at the end of 2018.

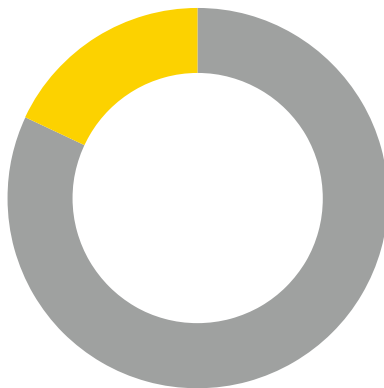
INTERROLL SHARE IN POSITIVE TERRITORY

In 2019, the Interroll Group's company-specific growth drivers were numerous project orders, innovative products and services, consistent cost and investment management, and productivity gains.

The Interroll share price closed at CHF 2,175.00 on 30 December 2019, up 49.8% on the year-end price for 2018 (CHF 1,452.00).

The Interroll share once again outperformed the Swiss indices. The Group's market capitalisation significantly exceeded CHF 1.8 billion.

Shareholder structure at 31 December 2019



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

FREE FLOAT INCREASES

About 18% of Interroll shares (31 December 2018: 19%) are held by the remaining founding families. As of 31 December 2019, members of Group Management and their relatives held a total of 2.8% (2018: 2.7%) of shares.

The free float as defined by the SIX Swiss Exchange thus stood at 82% at 31 December 2019 (2018: 81%).

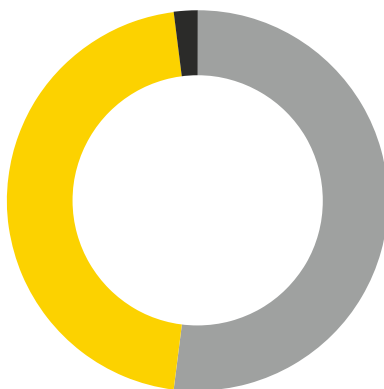
Information on significant shareholders can be found on page 120.

SHAREHOLDER BASE REMAINS INTERNATIONAL

An increasing number of shareholders domiciled in Switzerland bought Interroll shares as of 2019. As at 31 December 2019, 52% of registered shareholders resided in Switzerland compared with 51% at 31 December 2018.

Meanwhile, the number of non-registered shareholders increased to 37%. In the previous year, 36% of shareholders were not registered with the company.

Geographical distribution of the identified shareholder base according to the share register at 31 December 2019



■ Switzerland: 52%
■ EMEA region (excluding Switzerland): 46%
■ Rest of the world: 2%

MORE INFORMATION FOR INVESTORS

We publish information about the Interroll share on our website www.interroll.com/en/investor-relations/. Financial reports, presentations and other documents are available for download.

Anyone interested can register for our mailing list or request our regular publications. All important financial market dates can be found there as well.

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:



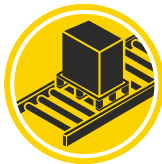
DRIVES



ROLLERS



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:

- Steadily growing passenger traffic in international air travel and the related expansion of airport capacity and security technology for passenger and luggage transport.
- 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 centres 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.

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 Projects and Development Centre (IPDC) develops new products, processes and technologies. The production plants concentrate as global competence centres (Centres 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 centres (Regional Centres of Excellence) have been built which are under the direction of the global competence centres. Assembly plants (local assembly) are supplied by production plants with semi-finished products and assemble products for the individual local markets.

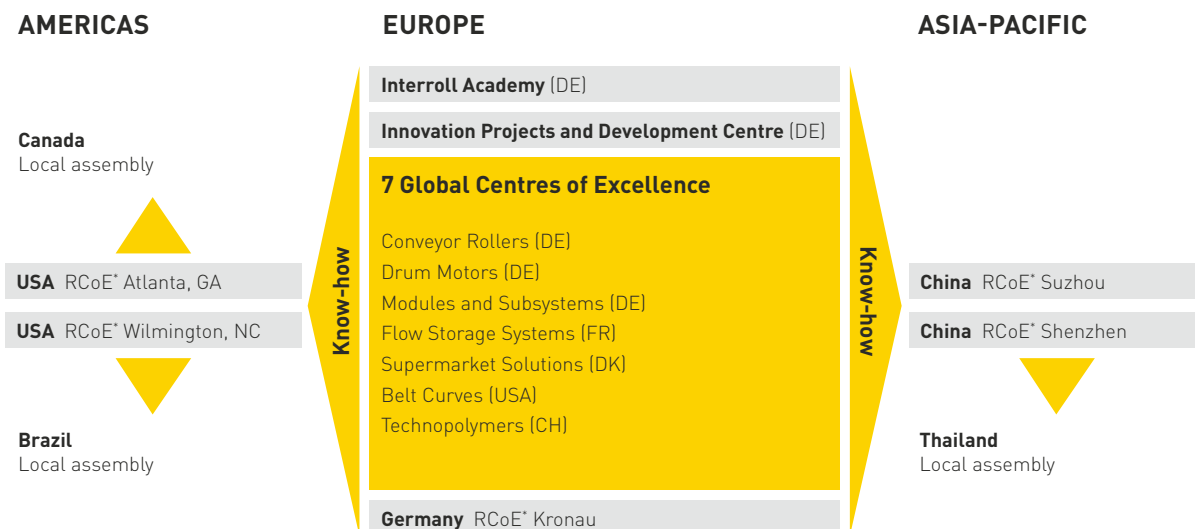
The Interroll Group strives for a position of market leadership in its key products, solutions and services worldwide. An important element of this strategy is therefore the permanent, continued development and redevelopment of intelligent products that enable

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 recognise 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-error 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 ORGANISATION AT INTERROLL:



*Regional Centre of Excellence

“OUR RECIPE FOR SUCCESS: QUALITY, SPEED AND EASINESS”

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



Paul Zumbühl, CEO of the global Interroll Group.

Mr Zumbühl, in 2019 Interroll recorded a slight increase in sales in local currency. How did you achieve this after a record 2018?

Paul Zumbühl: The loss of some of the large orders of the previous year was noticeable for us. The good news is that the solid growth achieved in our product business and smaller and medium-sized projects fully compensated for this in terms of sales.

The result is a record high.

How was that achieved?

Two factors were important here. By expanding our technology platforms, the opportunities to increase margins are greater. By adding additional interfaces, we can offer our customers greater efficiency in handling their material flow. A good example is the expansion of our Modular Pallet Conveyor Platform (MPP). Thanks to our new transfer car and stacker crane, we can now offer our customers more than just automated conveyor solutions; we can also talk to them about automated pallet storage, opening the door to future sales potential in flow storage solutions.

We are also constantly working on enhancing productivity, which in turn brings fresh potential. In 2019, we worked hard on our manufacturing processes and invested in automation, enabling us to achieve and to expect significant increases in productivity.

We use various programmes as part of a continuing health check, and productivity is one of the leading indicators we constantly monitor. It is vital for us to be able to identify problems and solve them quickly. Software such as Kaizen and our recently digitalised

administration processes help us to make an accurate assessment of our productivity.

Our strict cost controls have also paid off too – one of the reasons why net profit has risen to record levels.

Why do you think order intake dropped?

In 2018, we received a large one-off order in the US. The book-to-bill ratio was exceptionally high at 1.06 in 2018. Despite the significant difference to 2018, we are still hovering within the long-term normal range of 0.95 to 1.05 at 0.98 for 2019. If we look at the five-year period from 2014 to 2019, we can see an increase in order intake of 9.3% p.a., and in terms of sales as much as 10.8% p.a. So, we achieved a very high level of growth during this period.

In other words, order intake for 2019 is in line with this very high average growth rate, following on from an exceptional 2018. By the second half of 2019 as a whole, the global economy had started to slow down. Projects were not necessarily cancelled, but rather postponed. Our expectations are high for 2020.

We have nonetheless successfully delivered on large projects as well, including a follow-up order for a Korean e-commerce customer. We play to our strengths in projects of all sizes, since our scalable platform means that we can make a significant value contribution to material flow processes, particularly in smaller and medium-sized solutions. This is an area in which I believe there is still enormous potential.

So what are the criteria for success?

Quality, speed and easiness – these three factors make up Interroll's recipe for success, making us the most competitive provider in the industry. We have worked hard in recent years to achieve this position and intend to build on it going forward. Take, for example, our large project in South Korea, which we won in the first half of the year: we had to meet the strictest quality requirements for our Modular Conveyor Platform (MCP), with a delivery time of just five months – for a 12.8 km conveyor stretch over four levels! This was possible thanks only to the modularity of our platforms, which also gives the end customer the flexibility to adapt the system to meet changing requirements. Growing complexity and digitalisation mean that the ability to reconfigure the platforms' interfaces is crucial during assembly.

“By adding additional interfaces, we can offer our customers greater efficiency in handling their material flow.”

You don't have a local production site in South Korea – so how did you manage to do it?

Thanks to our global network, we have access to a wealth of specialist expertise and expert market knowledge. For many years now, Interroll has had its own highly competent sales and engineering team in South Korea. We know our customers and what they want. We manufactured all the equipment required for the large Korean project in China with the help of our global Center of Excellence in Germany. Our global positioning and, above all, our flexibility and scalability – i.e. the ability to provide our customers across a location or region with a network and intensive support if necessary – is an important factor that sets us apart from the competition. And not least, the strength of our corporate culture enabled us to make such a global project a success.

Free cash flow is at an all-time high. What plans do you have for your “war chest”?

We are extremely well positioned for the future and intend to take even greater advantage of market opportunities. Of course, we keep a close eye on the potential for acquisitions. This is an ongoing task. However, here we have a clear strategy. We are interested only in those acquisitions where we can use a company's product portfolio to add value. This means that the acquired technology must fit with our platform and add value for our customers.

Operationally, we focus on investment in our plants and in our proximity to markets and customers. We are increasing production capacity and investing in new construction and expansion. At the same time, we are looking at other opportunities to automate pro-

cesses at our existing plants. We also see huge potential in the South American and South East Asian markets.

Interroll is currently expanding in Asia, North America and Europe, and is extending its production capacity accordingly. Is it not a difficult environment in which to invest?

We take a medium and long-term approach to market growth. We enjoy an excellent global position in the growing market for material handling solutions. We are pursuing a long-term strategy and do not allow ourselves to be sidetracked by short-term fluctuations. Here's an example: we started construction of our Sinsheim site in 2009, right in the middle of the financial crisis. We managed to win a large number of new customers when the market picked up after 2010, because we had the capacity to do so, whereas our competitors had reduced theirs.

We remain committed to this growth market and to our own core values. We have done our homework and are ready for the challenges of the future.

Do you see a trend towards consolidation in the market?

This trend has been evident for some years now; after all, intralogistics offers a lot of potential, even for newcomers to the industry. Any trend towards consolidation does not pose a problem for Interroll. As we are a global leader in technical and commercial compliance, we are able to work extremely professionally with larger providers. However, our plug-and-play approach also makes us interesting to smaller customers.

And what about the trend towards a reluctance to invest?

Yes, this was the case in 2019. Trade relations between China and the US have caused uncertainty and delays in investment decisions in those sectors relevant to us. However, we are essentially optimistic about 2020. And thanks to our global positioning, our risk is lower than that of our competitors.

How do you plan to increase your order intake?

We want to deliver a first-class job for our customers and prove our excellent reputation every day anew. We now have more than 400 systems installed for sorters, proof that our global customers trust us. Moreover, we are pursuing the approach of industrial management in order to better understand and support our target industry users. We concentrate mainly on target markets that lend themselves well to our platforms, thus opening up additional sales potential. It is all about easing what we call the “customer pain” and offering the right material flow solutions. In doing so, we are

“We want to deliver a first-class job for our customers and prove our excellent reputation every day anew.”



Paul Zumbühl on the subject of partnership at the Rolling On Interroll Summit, Rome, September 2019.

also driving forward into areas where the implementation of Interroll solutions represents a significant competitive advantage for the user – for example, in the tyre industry. This also allows us to meet new end customers and thus secure future sales potential. We also have a number of new products in the pipeline, which offer further potential.

In terms of service, we set the course for further growth back in 2019. With a noticeable increase in our installed base, we expect the outlook for additional sales to remain positive. It is now a matter of putting together attractive service packages and being able to offer them to the customer at the point of sale.

How does your partner programme, Rolling On Interroll, contribute to sales potential?

By strengthening our relationship with these customers. However, it is not just about the short-term sales effect, but about long-term partnerships. Here we have created an international network for smaller system integrators and plant constructors, through which they can exchange ideas. We support them in growing and strengthening their business. At the same time, we can discuss new ideas and perspectives on the topic of material handling on an equal footing.

What role does innovation play?

A crucial one. In recent years, we have dramatically increased our rate of innovation. For example, the DC Platform – both the 24-volt and 48-volt versions – and the Modular Pallet Conveyor Platform (MPP) and its extensions have been launched on the market.

You can rely on Interroll to take major strides forward in innovation. Yet we still think in terms of customer value. Of course we are technology leaders, but for us

technology is a means to an end, not an end in itself. In our conservative industry, there is a longer lead time before new technology is implemented. We monitor reactions here very closely. Customer feedback on our latest innovations has been very positive and exceeded my initial expectations. We have therefore correctly identified the customer benefits of our new solutions. We have ramped up our innovative strength massively and reinforced the role of the Interroll Innovation Projects and Development Center. Over the next few years, we will keep the innovation pipeline firmly filled and bring new solutions to market at regular intervals. So there's a lot to do.

What contribution does the Academy make to Interroll's continued development?

With digitalisation, customer expectations become more demanding. This requires continuous training for our employees. Thanks to the Academy's training programme, we can strengthen our sales and management teams – for example, the introduction of new products – and extend this to our customers and partners. We use state-of-the-art teaching methods, such as e-learning, mobile apps and podcasts. Today it is impossible to imagine our company without the Academy.

PRODUCT GROUPS

Sales by product group

- 30.8% Drives
- 19.7% Rollers
- 9.6% Pallet & Carton Flow
- 39.9% Conveyors & Sorters

SALES (CHF MILLION) DRIVES

172.4

References

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

SALES (CHF MILLION) ROLLERS

110.1

References

- Dematic
- Knapp
- SSI Schäfer
- TGW
- Vanderlande

SALES (CHF MILLION) PALLET & CARTON FLOW

54.0

References

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

SALES (CHF MILLION) CONVEYORS & SORTERS

223.2

References

- Amazon
- Aokang
- China Post
- DHL
- FedEx

GROWING PRODUCT BUSINESS

Interroll's service portfolio comprises four product groups: Rollers, Drives, Conveyors & Sorters and Pallet & Carton Flow. In 2019, Rollers, Drives and Conveyors & Sorters performed well in terms of consolidated sales.



DRIVES PRODUCT GROUP

The Drives product group portfolio includes driven conveyor rollers (24-volt and 48-volt RollerDrive), control systems and drum motors. Global responsibility within the Interroll Group lies with the global Centres of Excellence in Baal, Germany, and Hvidovre, Denmark, for Drum Motors, and Wermelskirchen, Germany, for RollerDrive. Interroll plays a leading international role with its compact, flexible and easy-to-install solutions.

Consolidated sales for the 2019 financial year amounted to CHF 172.4 million, up 1.3% on the previous year (CHF 170.9 million). Consolidated order intake fell slightly by 3.8% to CHF 169.2 million (2018: CHF 175.9 million).

The launch of the new DC Platform means that Interroll has once again set new standards in modern material flow technology. The innovative range consisting of the coordinated RollerDrive EC5000, controllers and power supplies has been tested for more than a year and now allows system integrators and plant constructors to serve the needs of their customers on a

more individual basis and with Industry 4.0 functionalities. Thanks to the data transparency offered by the EC5000, modern conveyor systems also benefit from intelligent control and predictive maintenance. The 48-volt technology available in the product range represents the latest technological advance in low-voltage solutions and has already been ordered by leading market players. 48-volt systems reduce energy consumption by up to 40% compared with 400-volt solutions, and allow the use of up to 50% fewer power supply units than 24-volt systems.

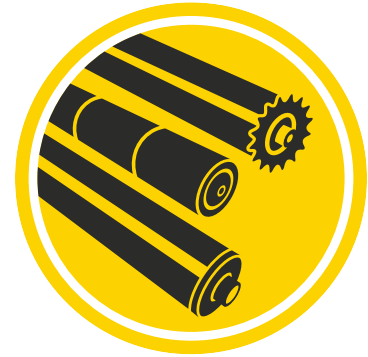
In addition, the bus interface enables completely new control functions to be implemented, such as those required in an automated environment. Not only can the acceleration, speed and braking of the conveyed products in the system be influenced even more precisely, but they can also be positioned on the conveyor line with millimetre precision – a prerequisite for simplifying work processes significantly through the seamless interaction of conveyor solutions with robots or packaging machines.

In May of this reporting year, Interroll unveiled an oil-free synchronous drum motor based on the new and improved Interroll Drum Motor platform, which has been on the market since 2017. Synchronous drum motors have a particularly compact design and are very efficient, resulting in higher power density and lower heat loss.

In 2019, the European Hygienic Engineering & Design Group (EHEDG) certified Interroll's current Drum Motor platform following extensive testing for hygiene-compliant industrial applications. This official confirmation provides the international food, pharmaceutical and packaging industry with a compact, powerful and energy-saving drive solution for material flow that fulfils the highest standards of hygiene.



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



PRODUCT GROUP ROLLERS

The Rollers product group serves as a solid foundation for the Interroll portfolio. Interroll has been producing conveyor rollers at Wermelskirchen, Germany, since 1959, and now also at five other sites worldwide. Rollers are used in numerous internal logistics applications.

Interroll has already produced well over 500 million rollers. Driven and non-driven conveyor rollers made by Interroll are the first choice for transport of containers and pallets around the distribution centres of postal and courier services, shipping companies, airports and manufacturing plants. These products are also integral components of material flow solutions in other industries, including the supermarket and e-commerce sectors. Interroll has a range of 60,000 variants of rollers. Products from the Rollers category are also used in other Interroll solutions from other product categories, such as Modular Conveyor Platforms (MCP) and Modular Pallet Conveyors (MPP), and flow storage solutions.

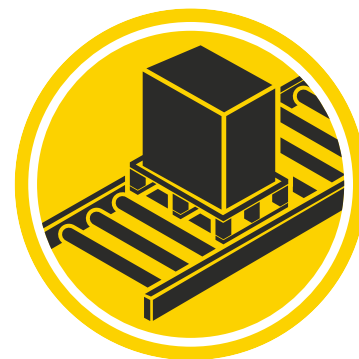
Very short delivery times, highly efficient production processes, customer proximity and the premium quality of Interroll products contributed to further growth in this area in 2019. This growth was also supported by an increase in the level of automation of relevant processes at Interroll's production sites.

In addition, the company anticipated and exploited the potential offered by market trends, such as the persistently strong growth in e-commerce and the outsourcing of its own roller production by system integrators. Not least, Interroll offers innovative customer-oriented tools, such as a roller configurator and a layout tool for larger projects, which speed up the selection and order process significantly.

Consolidated sales in the Rollers product group amounted to CHF 110.1 million, an increase of 1.9% over the same period last year (CHF 108.0 million). At 107.8 million, consolidated order intake was down slightly (-1.1%) on the previous year's level of CHF 109.0 million.



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



PRODUCT GROUP PALLET & CARTON FLOW

The Pallet & Carton Flow product group offers flow storage solutions for pallets and parcel packaging based on the FIFO (first in, first out) and LIFO (last in, first out) principles. The global Centre of Excellence at La Roche-sur-Yon, France, is responsible for this product group at Interroll.

In the year under review, Interroll recorded a 10.7% decline in consolidated sales within this product group to CHF 54.0 million (previous year: CHF 60.5 million).

Consolidated order intake fell by 15.2% to CHF 54.5 million (previous year: CHF 64.3 million). Large projects in the same period of the previous year could not be fully replaced. During the reporting year, there was a clear trend among customers to postpone projects until a later date.

Flow storage solutions have proven to be particularly cost-effective for warehouses with high stock turnover. Interroll's flow storage systems are inspected at Interroll's test centre at La Roche-sur-Yon. After 50,000 test cycles under extreme conditions, Interroll can guarantee a long service life and maximum safety.

Interroll has made substantial investment in expansion of its range with semi and fully automated solutions. For example, a stacker crane and transfer car were specially developed as extensions of the Modular Pallet Conveyor Platform (MPP). These new interfaces, which can now link automated conveyance with automated warehouse processes, allow the company to continue to see high sales potential for flow storage solutions. From 1 January 2020, the Pallet & Carton Flow product group will be renamed Pallet Handling. It will then include the MPP in addition to flow storage applications.



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



PRODUCT GROUP CONVEYORS & SORTERS

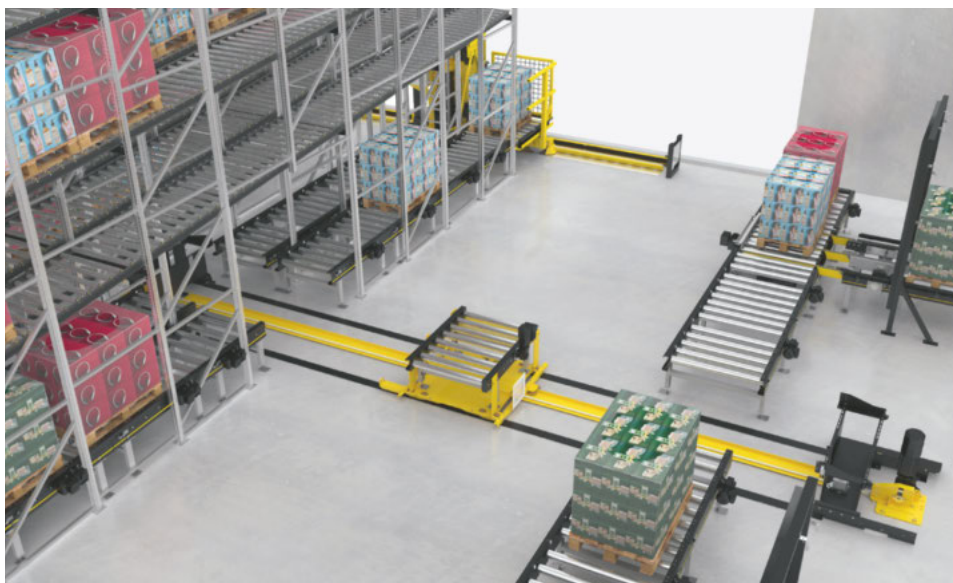
The Conveyors&Sorters product group comprises sorter and conveyor solutions. This product group also includes crossbelt sorters, belt curves, the Modular Conveyor Platform (MCP) and the Modular Pallet Conveyor Platform (MPP). Modern materials flow systems can be planned quickly and efficiently using Interroll's modular platform concept. Adjustments can be made at any time, even during the assembly phase. Sites designed in conjunction with Interroll's drive solutions are state-of-the-art systems that offer maximum availability, energy efficiency and very low operating and maintenance costs. This applies both to new sites and to existing modernised facilities.

The Conveyors&Sorters product group solutions are developed by the global Centres of Excellence in Sinsheim (Germany) and Cañon City (US). Interroll commenced the implementation phase of the new plant in Mosbach (Germany) in September 2019. The process is accompanied by "cell division": in future, the new site will take on the role of a global Centre of Excellence for conveyors, while Sinsheim will focus on being a global Centre of Excellence for sorters.

In February 2019, Interroll followed the example of its successful Modular Conveyor Platform (MCP) with the launch of a modular platform for powered pallet



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



The Modular Conveyor Platform (MPP) has been extended with a stacker crane and a transfer car.

transport. This system known as MPP (Modular Pallet Conveyor Platform) makes use of technical products that have already proven themselves hundreds of thousands of times by users and offers solutions for the most common pallet types on the market, such as EURO EPAL, Industrial, GMA and Plastic EPAL.

From 1 January 2020, MPP will be assigned to the new Pallet Handling product group; in 2019, it was still assigned to Conveyors & Sorters.

The new Interroll High Performance Crossbelt Sorter (HPCS) was showcased at LogiMat 2020. This new high-performance system can process up to 20,000 conveyed goods per hour. This new solution also allows significantly heavier and larger goods to be sorted. This means that even the most demanding users can now benefit from the advantages of performance, cost-effectiveness and availability offered only by a mechanically driven horizontal crossbelt sorter from Interroll. HPCS is the first Interroll solution to be launched simultaneously on all three continents.

This product group generated consolidated sales of CHF 223.2 million for the 2019 financial year, a slight increase of 1.2% over the previous year (CHF 220.5 million). Order intake of CHF 214.9 million was down 11.7% on the previous year's record level (CHF 243.3 million).

The absence of large projects in the US following the record order intake in 2018 and a temporary downward trend in the second half of the year were clearly felt here. In the first half of the year, Interroll won a follow-up order to supply an MCP conveyor line of about 12 km in length for the distribution centre of a customer in South Korea from the e-commerce segment. At the end of the year, Interroll announced its 400th sorter order worldwide, for La Poste Group in France.

Our growing installed base offers Interroll excellent opportunities for increased service activities.



HOLISTIC APPROACH INCREASES CUSTOMER VALUE

For companies committed to global market and technology-led leadership, seamless interaction between sales, production and technology development is the basic prerequisite for success – and this also applies to Interroll.

Dr Christoph Reinkemeier, Executive Vice President Global Sales & Services, and Jens Strüwing, Executive Vice President Products & Technology, who are responsible for the relevant Group units within Interroll's Group Management, provide an outlook on key market trends and common challenges.

Dr Reinkemeier, just how strong are the growth drivers for material handling solutions? Do you expect the market to lose momentum?

Dr Reinkemeier: No. The international market continues to offer enormous potential for growth. This also applies in times when uncertainty in world trade, a possible slowdown in the global economy and other external factors are leading some companies to be more cautious in their investment. Of course, nobody can predict the future, but the growth drivers remain strong. The contribution made by e-commerce to trade continues to rise significantly, as more and more people in the emerging markets discover this form of shopping; the number of spontaneous purchases made by smartphone is growing in leaps and bounds worldwide, and the speed of delivery to the consumer has long since become a decisive competitive factor in this business. It is estimated that global parcel shipments alone have doubled to about 90 billion units within five years. In 2019, more than 1.3 billion purchases were made in China alone on just one single online sales day – known nationwide as “Double 11” day. Not only is the volume of shipments increasing, but also the

variety of goods shipped. This growing flow of goods can now be managed only with automated and flexible material flow systems in distribution networks involving new regional distribution centres – even in countries where manual workflows have dominated in the past. In addition, global competitive pressure means that in industrial manufacturing, attention is focused increasingly on potential productivity gains that can be achieved through automated and controlled material handling. As an international technology leader, our product range puts us in an excellent position in these growth areas.

Strüwing: This shift in demand towards automation also provides us with a technological advantage. And it does so in several ways: as the performance of the ever more business-critical applications that our customers, the system integrators and plant constructors, have to implement increases, so does the quality requirement imposed on the technical solutions. This plays naturally to our uncompromising philosophy of quality. In addition, our modular platform strategy with its flexible interfaces and open standards ensures that our



Jens Strüwing, Executive Vice President Products & Technology

sorter, conveyor, drive and storage systems can be integrated easily into customer-specific, complex and particularly demanding tasks. This is where our consistently innovative strategy pays off: examples include the DC Platform, which is a smart solution suitable for use in a digital environment, a new automatic stacker crane that connects to our flow storage systems and the new pallet conveyors, opening up completely new application areas for Interroll. In addition, intelligent control is becoming increasingly important for controlling material flow; for example, in the context of collaborative interaction between conveyors and processing machines. Here, too, our modern platform concept with its decentralised control solutions enables us to meet the needs of the market extremely well.

Is the subject of digitalisation also on your agenda?

Dr Reinkemeier: Yes. This year we are opening up a completely new sales channel for our customers in the roller and roller drive sector with our online web shop, which will speed up ordering processes significantly, making it very easy for customers to place orders with just a click of the mouse.

“We take a holistic approach to process digitalisation; it affects value creation along the entire supply chain.”

Jens Strüwing



Dr Christoph Reinkemeier, Executive Vice President Global Sales & Service

Strüwing: The online shop will be integrated into a new Interroll e-commerce platform currently under development, thus underlining our digitalisation strategy. It provides an impressive illustration of how digital transformation is making the traditional boundaries between distribution and production increasingly fluid. That is why it is important that sales and production really do act hand in hand, working ever more closely together and not confining themselves to their respective areas of responsibility. In order to take advantage of the benefits of a digital sales channel as a company, it is not enough to simply develop the user interface for the customer and continue with the internal paperwork behind it. We also have to incorporate the entire factory process into this digital process chain – right down to the production station, the individual assembly stations, dispatch and invoicing. In addition to productivity and flexibility gains in our production environment, we also adopt a holistic approach. It involves adding value along the entire supply chain.

Does this approach also affect product launches?

Strüwing: Of course. A good example is the development and production of our new high-performance sorter, which we recently launched on the market. It is here that we are starting to market and produce our products synchronously worldwide for the first time – in Europe, North America and Asia. We have been able to achieve this because we have brought the necessary processes related to purchasing, materials supply, production, sales and marketing at the responsible sites up to the same high Interroll quality standard. Our global SAP system and our flexible production network also played a key part. This allows our customers worldwide to benefit simultaneously from the advantages offered by our unique technological approach to automated high-performance sorting. We are also adopting this holistic approach in the expansion of our worldwide production capacity at existing and new locations, as we have just done, and are currently implementing, or planning to do, in North America, Europe and Asia. These investments put us in a strong position to achieve profitable growth in the coming years.

“Ever shorter project durations mean that the ability to deliver as quickly as possible represents an increasingly important added value element for our customers.”

Dr Christoph Reinkemeier

And what are the advantages of this global production strategy in terms of distribution?

Dr Reinkemeier: What do our customers want? That's simple: they expect quality, easiness – and above all speed. For example, we see that the ability to deliver as quickly as possible represents an increasingly important added value element for our customers. The delivery lead times for material flow projects are becoming shorter and shorter because our customers' end customers have to react very quickly to new market opportunities or changes. In this respect, the suppliers on the end customer side are all fighting to be included in this window of opportunity. In fact, this is a trend that is emerging everywhere. That is why it is so important, particularly in terms of sales, that we make our production capacities more flexible and expand them accordingly. After all, the rules that govern the market are unforgiving: if you can't deliver quickly and on time, someone else will get the business. But for those who can keep up with the quickening pace, there are plenty of opportunities.

Sustainability is becoming a megatrend of our time. Are your customers familiar with this topic?

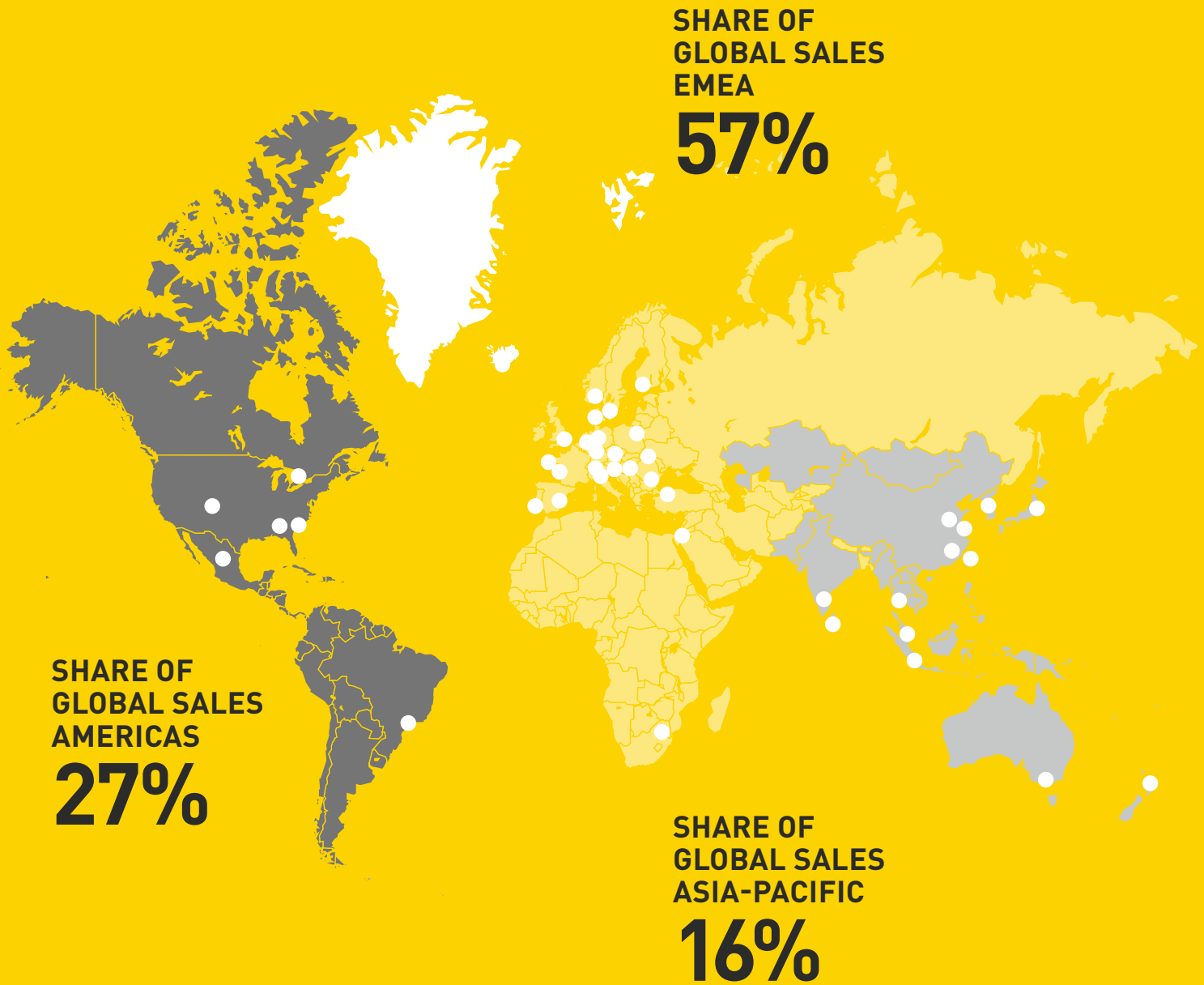
Dr Reinkemeier: Yes, and it's not a new one for us. In fact, we have noticed for some years now that users' interest in our innovative solutions is no longer stimulated solely by economic efficiency, but also by sustainability. As a supplier of electric drives, which offer up to 90% efficiency and require around 30% less energy than conventional solutions, we are making an important and valued contribution. Another advantage is our intelligent control system, which is what makes our conveyor solutions stand out from the competition. Our solutions ensure that the drives are not running permanently, but only when goods are actually being transported. This means that when it comes to modernisation or building new facilities, we ensure that

sustainability and economic growth do not contradict each other – rather that they are fundamentally reflected in the total cost of ownership (TCO), which more and more companies are using as a key determinant in their procurement process for logistics projects.

Last year, you brought an unusually large number of innovations to the market, including the DC Platform, MPP pallet conveyor and an automated stacker crane. What's next?

Strüwing: The new high-performance sorter we recently introduced proves that this is far from the end of the line. Needless to say, I won't be revealing any further product innovations that we have lined up in our well-filled innovation pipeline [smiles]. But you're right: for a technology leader such as Interroll, innovation of course plays a crucial role. In order to continue to extend our hard-earned lead, we restructured and strengthened our Group resources with the new Innovation Projects and Development Centre (IPDC) last year, and for the first time firmly anchored innovation management within the supervision of Group management. This means that we are not just putting our foot on the accelerator when it comes to the pace of innovation, product development and project implementation. In this context, we have also strengthened our expertise in dealing with disruptive innovations. We now have technical experts on board who deal with out-of-the-box topics; i.e. they are not tied only to day-to-day business. These highly qualified employees have the job – as in a start-up environment – of pursuing very unusual and at first glance perhaps bizarre ideas. And this is done without any fear of failure, as this suppresses creativity.

REGIONS



SHARE OF
GLOBAL SALES
EMEA

57%

SHARE OF
GLOBAL SALES
AMERICAS

27%

SHARE OF
GLOBAL SALES
ASIA-PACIFIC

16%

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

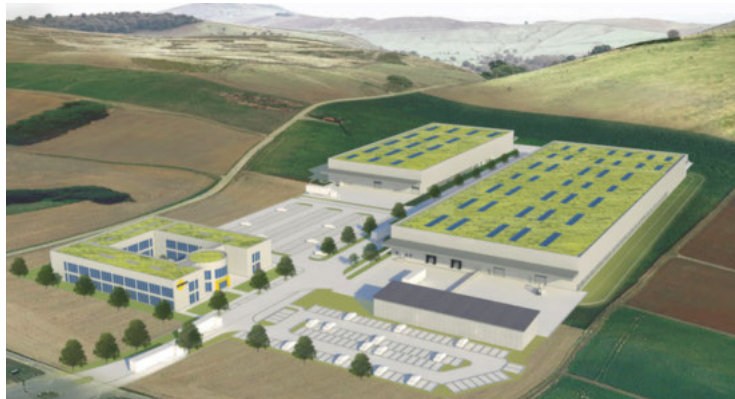
SUCCESSFUL GLOBALISATION STRATEGY

Interroll continued its globalisation strategy in 2019 by tapping into new markets and winning new customers. Orders were up in Europe, the Middle East and Africa (EMEA) by 4.4% and in Asia by 12.9%, but down in the Americas by 13.8% due to the absence of large projects compared with the previous year. Consolidated order intake was down 7.8% on the previous year's record figure, although in local currencies the decline was more moderate at 5.7%.

During the reporting year, EMEA accounted for just under 57% of Interroll's total sales, the Americas 27% and Asia-Pacific 16%.



EMEA



Interroll is preparing for future growth opportunities in the EMEA region with its new plant in Mosbach.

EUROPE, MIDDLE EAST, AFRICA REGION (EMEA) POSTS STRONG PERFORMANCE

In the EMEA region, the organic growth of the past few years continued throughout 2019.

Sales amounted to CHF 321.0 million, up 4.4% on the previous year (CHF 307.6 million). Following the record figure for 2019, incoming orders fell by 6.2% compared with the previous year and totalled CHF 313.8 million.

This performance was driven mainly by strong demand for rollers and drives. Central, Western and Eastern Europe increased their sales.

With a share of almost 57% of Interroll's total sales, EMEA remains the most important economic region within the Group. Demands on suppliers in internal logistics are high. In addition to close customer relationships, industry knowledge and technical solution competence, they require innovative answers to increasing complexity and new market trends.

Interroll is preparing for future growth in the EMEA region by building a new plant in Mosbach (Germany).

AMERICAS EXCELLENT GROWTH PROSPECTS

Sales for the Americas amounted to CHF 149.0 million, down 13.8% on the previous record year (CHF 172.8 million). The absence of the large orders of the previous year in the double-digit million range was clearly felt in terms of sales and incoming orders. Accordingly, the latter showed a downward trend and fell by 14.2% to CHF 145.3 million (previous year: CHF 169.4 million). This trend was shaped by the US market.

There were very encouraging developments in Brazil and Canada, where double-digit sales growth was achieved.

A second plant in Hiram, Atlanta, US, will provide additional capacity for medium-term growth in the Americas from mid-2020. In addition to the consistent application of the Group-wide Interroll Production System (IPS) and the Zero Defect Strategy, the automa-

tion of production processes in the US was also stepped up systematically in 2019. For example, the new production lines for the DC Platform were set up in Wilmington, where the machines can be automatically set to the respective order. In addition, the company's in-house expertise in the field of automation was strengthened in order to identify appropriate fields of application and enable implementation of future applications in line with demand.



AMERICAS



Automation and partial automation at Interroll, such as here at the Hiram plant, is being advanced systematically.



Interroll attracted a great deal of attention at CeMAT Asia in Shanghai, China.



ASIA-PACIFIC

ASIA-PACIFIC EXCELLENT GROWTH PROSPECTS

Interroll's sales in the Asia-Pacific region increased sharply by 12.9% to CHF 89.6 million (previous year: CHF 79.4 million). This was due largely to the award of a large follow-up order for modular conveyors (MCP) in the low double-digit CHF million range. The order was placed by a South Korean e-commerce company.

Interroll provided a record number of conveyor modules with a total length of about 12 km for a customer's distribution centre in South Korea. Interroll won this order following a previous project of a similar size in 2018 to install a new system at another distribution centre belonging to the same customer.

Demand for Interroll's Conveyors & Sorters solutions continued to grow in the region.

Incoming orders were down by 5.6% to CHF 87.3 million (previous year: CHF 92.5 million).

As in previous years, China was Interroll's most important market in the region. South East Asia provided extremely positive growth stimulus. This region is benefiting increasingly from the globalisation of the Interroll Group, with the establishment of local production facilities and a corresponding increase in local production capacity. In mid-2019, a new and larger plant went into operation in Thailand. There are also plans for a larger company-owned plant in Suzhou (China), which will replace the existing rented plant by 2022.



Dr Ben Xia, Executive Vice President Asia-Pacific

“ACTIONS SPEAK LOUDER THAN WORDS”

What prospects do China and its Asian neighbours offer in terms of modern solutions to speed up material flow processes? How does Interroll intend to further strengthen its long-standing presence and influence in the Asia-Pacific region? We spoke to Dr Ben Xia, Executive Vice President for the Interroll Group’s Asian business, about a huge and challenging market and how best to tap into its potential.

Dr Xia, how is the Asia-Pacific market performing? What sets it apart?

Dr Ben Xia: What sets it apart? First and foremost, its size and dynamic development. About 1.4 billion people live in the People’s Republic of China alone and some 650 million in South East Asia. So we are talking about more than two billion people. That is almost 30% of the world’s population. And what’s more, following the rapid pace of development in China, the number of people belonging to the middle class in South East Asia, particularly in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, has been rising steadily in recent years. This social stratum now comprises 400 million inhabitants, a figure that has doubled since 2012. Of course, this development has dramatic effects on consumer behaviour, trade and consequently the supply of goods. For example, e-commerce is becoming increasingly popular, not only in

“In China and South East Asia, people appreciate reliability, credibility, the ability to integrate locally and a modest, down-to-earth approach – and this is particularly true of those companies that are already successful here.”

China but also among its Asian neighbours. And above a certain volume, it is not possible to handle the essential material flow manually, regardless of the labour costs in the respective country. Then no online retailer or parcel service will be able to avoid automated processes. And that’s where we come in.

And is this vast economic area also heterogeneous in its structure?

Yes, and this applies not only in cultural terms, but also in terms of market maturity. China, for example, has made enormous progress in e-commerce and is now the world leader in this field. According to estimates, by 2018 China’s share of global parcel shipments was as high as 59%, compared with 15% for the US. But volume is of course not the only benchmark. Just as important is the speed of delivery – this naturally has a decisive influence on the question of how the material flow is implemented from a technical perspective. In many industrialised countries, suppliers still face the challenge of delivering a customer’s online order the same day. In Shanghai, where I work, this time span is now an incredible 30 minutes, for example, when it comes to supplying fresh food. So planning dinner in Shanghai can be done in a very relaxed and flexible fashion. This rapid development shows where the industry is heading – and also internationally. But e-commerce is not the only trend that offers us attractive business potential. Closer trade relations and the middle classes’ desire to travel are leading to a sharp increase in air traffic in Asia, which can be handled

only through new, bigger airports. This represents interesting sales opportunities for our technology solutions; for example, in baggage processing. Of course, no one can predict exactly what the future will look like, particularly against the background of trade policy issues and other external influences, such as medical emergencies, but the general conditions are very positive.

What were the highlights for Interroll in Asia in 2019?

The main contributing factor was that we were able to make a substantial increase in value added to the Interroll Group’s results. This demonstrates that we can more than keep up with all the other regions in terms of profitability. And it shows that we have also made rapid progress over the past year in our efforts to continuously improve our production processes. A particular highlight of the year was, of course, the vote of confidence by a major South Korean customer, for which our Modular Conveyor Platform (MCP) now forms the basis of its intelligent conveyor system. An impressive project: at almost 13 km in length and with a project duration of only five months, this automated system is the only one of its kind in the world.

This sounds like a huge challenge, both from a technical and logistical point of view.

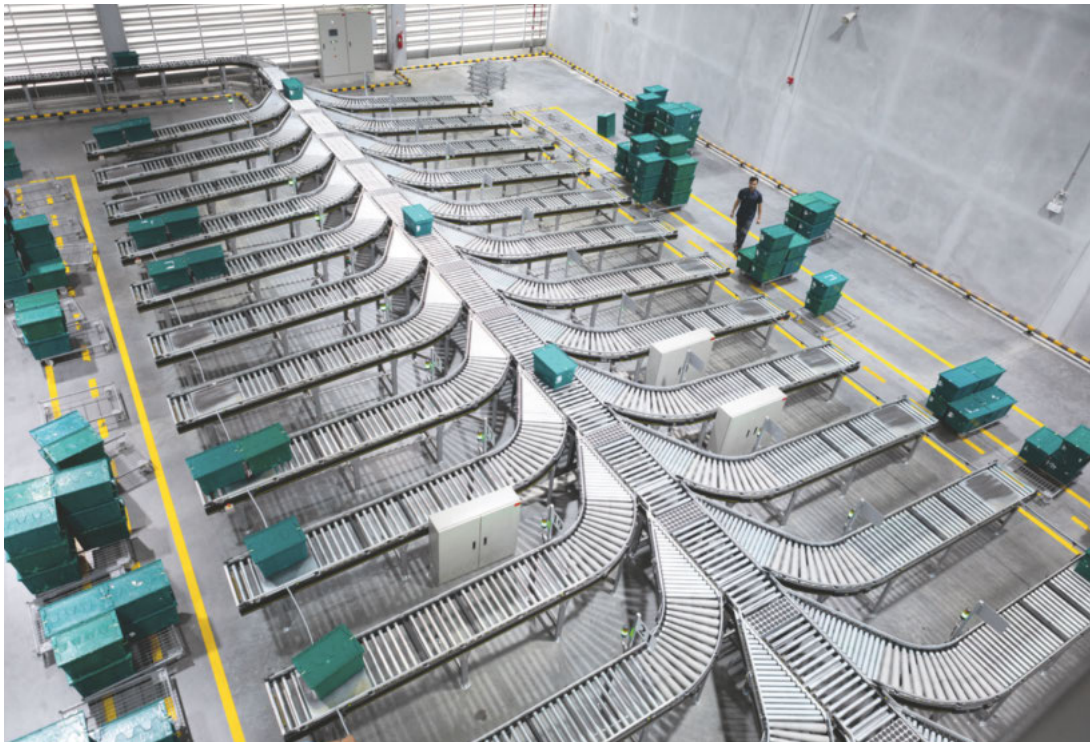
Especially if you consider how long the project took. The customer gave us a time window of just five months between placing the order and operation. Anyone who is familiar with the amount of engineering involved in such projects will probably say that this is an absolutely incredible feat. That's why I was so pleased to be able to deliver on this demanding task, as the only partner involved in the overall project. One of the main reasons for this success is the superiority of our modular platform strategy, which uses factory-made quality modules. But equally important was the extraordinary commitment and expertise demonstrated by our employees in South Korea and China. They did a fantastic job, giving an impressive demonstration of our extensive, cross-border local expertise in Asia, and leaving a lasting impression on our customers with the quality of their work. They were truly genuine ambassadors of our premium brand.

How is production capacity in Asia looking?

Here, too, we are systematically implementing the Group's globalisation strategy. In 2019, for example, we commissioned a new production site in Thailand to replace the previous plant and to be able to supply the growth markets in South East Asia – in particular, Indonesia, the Philippines, Vietnam and Myanmar – closer to our customers and much faster. This site will allow us to increase not only our capacity but also our productivity through modern manufacturing processes. But that's not all: in China, we plan to replace our existing rented plant in Suzhou with a larger, more modern company-owned production facility. We have acquired the necessary land and started to plan the site. This signals an important step forward for our customers, as Interroll is sharing its success with the country and is clearly committed to continuing and expanding its long-term activities in China.



Demand remains strong in South East Asia: this is the distribution centre in Thailand of a well-known customer in the retail sector.



Growing wealth in Asia is fuelling the demand for material handling solutions.
Image: The distribution centre of a customer in South East Asia.

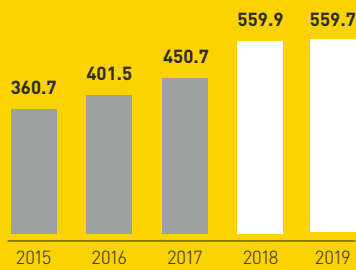
“In many industrialised countries, suppliers still face the challenge of delivering a customer’s online order the same day. In Shanghai, where I work, this time span is now an incredible 30 minutes.”

Does culture play an important role in China and other Asian countries?

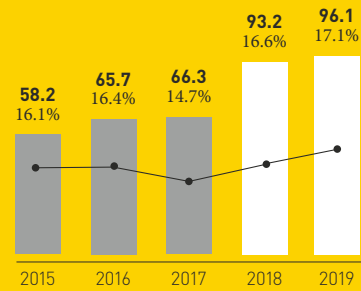
Yes, this aspect should definitely not be underestimated. In China and South East Asia, people appreciate reliability, credibility, the ability to integrate locally and a modest, down-to-earth approach – and this is particularly true of those companies that are already successful here. Actions speak louder than words here. So, you should make a promise only if you are sure that you can actually keep it. At the same time, people in Asia are well informed, ambitious, self-confident and are not willing to be fobbed off with second-best solutions. All this fits in very well with the corporate and brand values that we represent on a daily basis. And the excellent international reputation of Swiss engineering, which is defined by the highest standards of quality and perfection, naturally gives our company extra leverage in the market.

FINANCIAL POSITION, EARNINGS AND CASH FLOWS

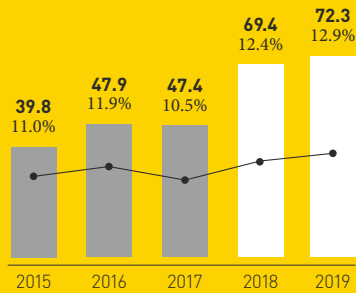
NET SALES



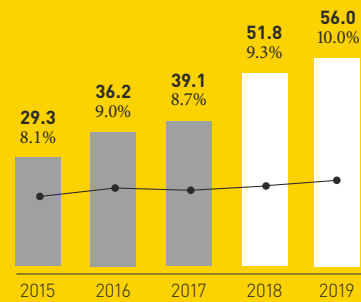
EBITDA AND EBITDA MARGIN



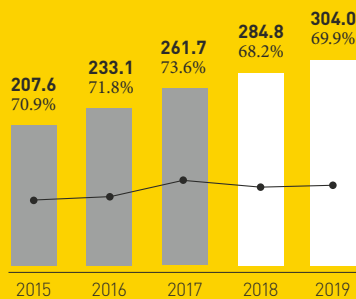
EBIT AND EBIT MARGIN



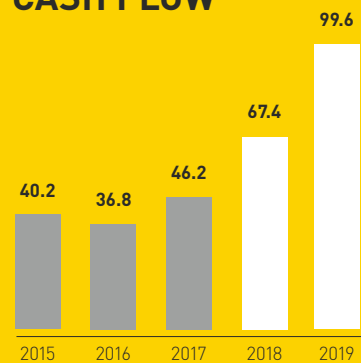
RESULT



EQUITY AND EQUITY RATIO



OPERATING CASH FLOW



SOLID RESULT FOLLOWING A VERY STRONG PREVIOUS YEAR

The rise in the Swiss franc had a noticeable effect on sales, which reached CHF 559.7 million, almost unchanged (+/- 0.0%) from the previous year (CHF 559.9 Mio.), although sales growth in local currencies came to 2.3%. Interroll was able to fully compensate for the one-off large orders in the US in 2018 by increasing its product business and, in particular, by generating higher sales from smaller and medium-sized project orders in the 2019 financial year.

Incoming orders declined, as expected, falling by 7.8% to CHF 546.5 million (previous year: CHF 592.6 million). In local currencies, the decline was more moderate at 5.7%. Due to the absence of one-off large orders, a weakening in business momentum across the markets was observed throughout the second half of the year.

RECORD RESULTS

Thanks to ongoing increases in productivity and cost reductions, profits have continued to increase. As a result, EBITDA rose by 3.1% to CHF 96.1 million (previous year: CHF 93.2 million). EBITDA margin was 17.1% (previous year: 16.6%). EBIT grew by 4.2% to CHF 72.3 million (previous year: CHF 69.4 million). Net profit rose by 8.2% to CHF 56.0 million (previous year: CHF 51.8 million). At 10.0%, net profit margin reached double-digit figures for the first time in the company's history (previous year: 9.3%).

SOLID BALANCE SHEET PERFORMANCE AND STRONGER CASH FLOW

Total assets increased to CHF 435.1 million at 31 December 2019, up 4.2% from the end of 2018 (CHF 417.6 million). Equity totalled CHF 304.0 million and the equity ratio was 69.9% (December 2018: 68.2%). Net financial assets increased by 47.9% to CHF 76.9 million (previous year: CHF 52.0 million).

In addition to the record result, net current assets were reduced and thus improved as a result of the reduction in inventories and customer receivables. As a result, operating cash flow reached a new high of CHF 99.6 million (previous year: CHF 67.4 million).

Gross investments reached CHF 33.6 million, an increase of CHF 5.0 million over the previous year (CHF 28.6 million).

In particular, the first of the Interroll Group's own production facilities in South East Asia was completed in Thailand. Construction of the second site in Atlanta, USA, progressed well during the reporting year. Detailed plans for the expansion of production in southern Germany have been completed. As a result of the company's reorientation towards Mosbach, however, investments previously planned for this reporting year will be made in the following year.

Due to the strong cash flow and despite higher investments, free cash flow rose to CHF 66.9 million (previous year: CHF 40.9 million).

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT



Global Compact
Network Switzerland

PROGRESS REPORT 2019

1. DECLARATION OF SUPPORT FROM GROUP MANAGEMENT

Interroll sets new standards worldwide with its material flow solutions. We help to responsibly shape new connections between the physical and the digital world. Our principles make it easier for our customers and our employees to act responsibly in a complex environment on a daily basis. We combine business success with an awareness of sustainability, the environment and social responsibility in both the short and long term.

Sustainability principles

- We act sustainably and are focused on long-term business success. We strive to find an appropriate balance between environmental awareness, social responsibility and economic success.
- We require our business partners and suppliers to comply with minimum standards.
- We require our managers and employees to adhere to our Code of Conduct.

Our strategies and activities are based on universal principles of human rights, working standards, environmental protection and anti-corruption. We also strive to drive forward social goals.

By joining the UN Global Compact in November 2016, we stated our global dedication for the first time and committed to the transparent documentation of our progress in the stated areas.

Our third progress report for the 2019 financial year presents the most significant measures and successes of our continuing engagement in accordance with the 10 principles of the UN Global Compact. In doing so, we underline the importance of social responsibility in our business activities.

At the same time, we are also renewing our commitment as a member of the UN Global Compact for another year.

28 February 2020

Interroll Holding AG

Paul Zumbühl
CEO

Martin Regnet
Global PR Manager

2. PRESENTATION OF PRACTICAL MEASURES AND MEASUREMENT OF RESULTS IN 2019

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 reputation and the trust of its customers, suppliers, business partners, shareholders and the general public depend heavily on the behaviour of all of its employees.

Interroll expects all suppliers and sub-contractors to adhere to these principles, which reflect Interroll’s company values and play a significant role in the selection and evaluation of suppliers. We also expect our suppliers to respect these standards in the rest of their supply chain.

The relevant guidelines set out in the Supplier Code of Conduct are intended to ensure compliance with all applicable laws, regulations and directives, and guarantee that the processes across Interroll’s supply chain meet certain social, environmental and economic standards.

Measures in 2019

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Further training and development

Measurement of the results

Re 1: In the selection of new suppliers, adherence to our principles is a necessary requirement for establishment of a business relationship. Existing suppliers are also obliged to comply with the Supplier Code of Conduct. By the end of 2019, we were able to secure this for 95% of suppliers to our European companies, and we aim to achieve it for all companies worldwide in 2020.

Re 2: In order to ensure that our Code of Conduct continues to be implemented, managers at our Chinese, Danish, French and US companies were given training in the Code of Conduct and compliance regulations in 2019. Further in-depth training will take place in the 2020 financial year.

Re 3: The Interroll Group’s Compliance Management System (CMS) is designed according to the international ISO 19600 Compliance Management Systems standard. The risk-based approach is intended to weight the gravity of possible violations of laws and commitments in relation to the achievement of corporate goals and the negative effect on the reputation of the Group, and to define priorities for action accordingly. A local compliance board became active in Germany in the year under review. Internal training as a compliance manager, including an examination, was carried out with participants from six countries. Readiness checks were carried out by an external compliance expert in Germany, Denmark, France, China and the US, the results of which will be expanded on in the 2020 financial year.

Re 4: Every employee has the right to report violations of the Code of Conduct, the law or an obligation to their manager. An anonymous whistleblower system with letter boxes has been established for this purpose in Germany.

WORKING 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 labour.

Principle 5

Promote the effective abolition of child labour.

Principle 6

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

Self-commitment

Interroll's globally applicable Codes of Conduct include basic internationally recognised working standards, such as freedom of association, the elimination of forced labour, the abolition of forced and child labour and a working environment free from discrimination. Interroll and its suppliers do not tolerate any discrimination against employees based on gender, race, disability, ethnic or cultural origin, religion, belief, age or sexual orientation.

Measures in 2019

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and local compliance managers
5. Measurement of key performance indicators (KPIs)
6. Employee engagement
7. Employee training
8. Working conditions

Measurement of the results

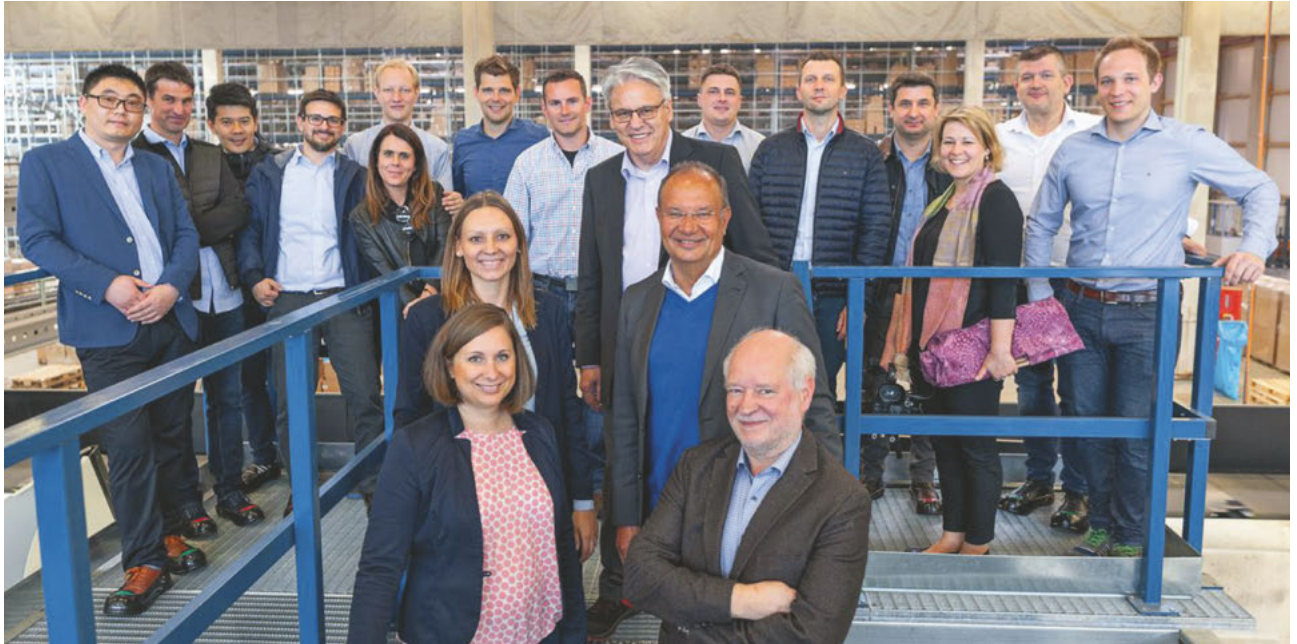
Re 1 to 4: See section on human rights.

Re 5: There were no reported instances of forced or child labour within Interroll or its supply chain in the year under review.

Re 6: The third group-wide employee engagement survey showed very good results in the year under review. Interroll has dedicated staff who are always willing to go the extra mile for the company. The employees also confirmed the quality and customer focus within the group. The next global employee survey will take place in the 2021 financial year to monitor consistency.

Re 7: The Interroll Academy is a major driving force behind knowledge transfer when it comes to material flow. Our strong dedication to the further training and development of our employees and the exchange of knowledge with our customers and partners contributes significantly to the success of our business and the development of our industry.

We are convinced that good training is a prerequisite for a motivated workforce, which is why we train our employees with the aim of imparting technical knowledge that will enable them to provide our customers with valuable support. Participants in our training programmes – who come from all parts of the company – not only become familiar with Interroll products, but also with the applications and issues faced by our customers.



The Interroll Academy is cooperating with the Fraunhofer Institute for Material Flow and Logistics (Dortmund), among others, on the topic of "Management of material flow processes".

Our numerous training and development programmes offer every employee the opportunity to optimally develop and implement their talents. A blended learning format that combines traditional teaching with new, online training methods (e-learning) enables participants to overcome their inner hurdles and also engages eager-to-learn employees who are not on site. In 2019, new content (e.g. for new product developments) was introduced into the training programme. A further expansion of our range of internal training programmes is planned for 2020.

Re 8: Interroll and its suppliers comply with all the relevant legislation and regulations on working hours and breaks. Overtime is always carried out voluntarily. Employees must receive appropriate remuneration and the applicable national statutory minimum wage.

Interroll and its suppliers ensure workplace safety for all employees and provide a working environment that promotes health, helps prevent accidents and exposes employees to as few health risks as possible.

Interroll has an appropriate health and workplace safety system in place. Employees must receive adequate training in workplace health and safety issues in their native language. Health and safety information must be clearly displayed on site. Interroll expects the same from its suppliers.

In the 2019 financial year, the number of sick days was once again successfully reduced and the number of accident-free days increased, thanks to Interroll's health and workplace safety management. An internal competition was held on this topic with bonuses awarded for the most creative ideas.

ENVIRONMENT AND CLIMATE

| | | |
|---|--|---|
| <p>Principle 7 Support a precautionary approach to environmental challenges.</p> | <p>Principle 8 Undertake initiatives to promote greater environmental responsibility.</p> | <p>Principle 9 Encourage the development and dissemination of environmentally friendly technology.</p> |
|---|--|---|

Self-commitment

A responsible approach to resources and environmental and climate protection are key elements of corporate responsibility and thus a central strand of Interroll's strategy.

Our basic principle "Inspired by efficiency" refers not only to the advantages our customers expect from Interroll solutions. Companies can also increase their profits with Interroll's products and solutions, minimise their ecological impact and ensure sustainable growth. Our resource efficiency is also an important factor at Interroll. The correct approach to resources is the most important requirement in maintenance of our leading market position in terms of technology and innovation – which in turn also benefits our customers.

Measures in 2019

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and local officers
5. Measurement of key performance indicators (KPIs)

Measurement of the results

Re 1 to 4: See section on human rights.

Re 5: Following our first recording of KPIs in the 2017 financial year, we established further targets for 2019. The aim was a group-wide reduction in paper use of 10% and the introduction of other "paperless" projects. A further 10% reduction is planned for 2020.



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

PREVENTION OF CORRUPTION

Principle 10

Work against corruption in all its forms, including extortion and bribery.

Self-commitment

We want to counteract potential violations of regulations in advance by sensitising and raising awareness among our employees. Comprehensive on-site and e-learning training programmes educate our employees on topics such as “Competition law” and “Gifts, invitations and conflicts of interest”.

The anti-bribery guidelines introduced in 2016 are designed to establish control mechanisms to ensure compliance with all relevant anti-bribery and anti-

corruption regulations, and to ensure that the company carries out its business in a socially responsible manner. Bribery is considered any offer, promise, provision, acceptance or demand of an advantage in return for an illegal action or breach of trust. This includes acceptance of donations of material value in exchange for a trade, contractual, administrative or personal advantage. We carry out our business honestly and ethically in accordance with our Code of Conduct.

We have a zero-tolerance policy when it comes to bribery and corruption. We undertake to act professionally, fairly and with integrity in all our business relationships, and to introduce, implement and enforce effective mechanisms to combat bribery.

Measures in 2019

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and local compliance managers
5. Monitoring of anti-bribery guidelines

Measurement of the results

Re 1 to 4: See section on human rights.

Re 5: There were no reported instances of corruption, extortion or bribery within Interroll or its supply chain in the year under review.



Interroll is heavily involved in industry associations. In 2019, as part of the “Robotics 4 Retail” initiative of the EHI Retail Institute, a pioneering workshop on “Conveyor Technology in the Supermarket of the Future” was held at the Interroll Academy.

FIRST-CLASS BRAND AND LEADING AUTHORITY IN THE MARKET



Successful launch at CeMAT Asia featuring smart solutions for material flow: Daniel Heinen (left), Global Product Manager, and Ben Xia (right), Executive Vice President Asia-Pacific, present the DC Platform at the gala dinner.

Interroll's global marketing team provides highly targeted support for the activities of the Interroll Global Sales & Service Team. During the year under review, it implemented key campaigns for the market launch of new products and supported industry-specific activities, such as those in the food, tyre, automotive, and courier, express and parcel (CEP) sectors. The market launch of new solutions, such as the Modular Pallet Conveyor Platform (MPP), is accompanied by tailor-made events where customers can experience new systems "live in action" in a realistic demo.

This helps us to improve our brand visibility. In addition to successfully positioning innovative product and service solutions on the market, we focus on demonstrating the value added created by these solutions for our customers and their customers in various ways:

1. Quality
2. Speed
3. Easiness

Interroll's external communications, for example, use customer testimonials and actual projects to demonstrate that these promises are more than fulfilled – and are equally valid in the long term.



Interroll featured heavily in the media in the year under review; for example, in a CEO interview with the TV channel CNN Money, Zurich.



At AllPack Indonesia, in October 2019, Interroll's impressive stand design was recognised by the organiser with the "Best Stand Award".

Interroll makes its presence felt. Strengthening customer relations at carefully selected trade and industrial fairs is a key element of the company's marketing strategy. We further increase the brand's tangible appeal and implement a universally valid, award-winning trade fair concept.

In 2019, we were represented at 31 trade fairs worldwide. Alongside highlights such as the market launch of the innovative DC Platform at LogiMAT in Stuttgart, Interroll showcased itself at leading trade fairs, including ProMat in Chicago and CeMAT Asia in Shanghai. At industry-specific trade fairs such as IFFA (food processing) and PostExpo, Interroll also succeeded in winning customers from specific target industries. Interroll was also involved in important specialist conferences and associations. The contacts made at external events are systematically pursued and integrated into customer relationship marketing.

With its new website, Interroll's aim is to focus on closer interaction with its customers. At the end of 2019, the website was significantly enhanced with the help of a new design and content concept. Downloads such as the Interroll Layouter tool, 3D CAD online tools and the Belt Drive Matchmaker enable customers to simplify their planning processes and use Interroll solutions for their own customisation.

Thanks to its networked global media and investor relations activities, Interroll was able to increase its global coverage of material flow issues in the financial press and the relevant industry media. In addition, the continued evolution of social media channels such as LinkedIn, YouTube and Facebook is becoming increasingly important. Interroll has been able to make the most of its potential here with new content formats and a significantly extended reach, and has further improved its reputation as a leader in innovative topics. One example is the huge response from media and social media channels following Interroll's recent announcement of plans to replicate the distribution centre of its customer Wenko in the form of a LEGO model. This successful combination of creativity and expertise in external communications once again underlines Interroll's reputation as an authority in material handling matters. Interroll has underpinned its commitment to this claim in further editions of its customer magazine *Moving*, which addresses topics of particular interest to customers and partners, with high quality content and key industry experts.

In addition, animated product videos were produced alongside the market launch of new solutions. In addition to a strong perception of Interroll as a leading supplier of platform solutions in intralogistics, it is also increasingly recognised as a global partner for smart conveyor technology.

ROLLING ON INTERROLL

OUR GLOBAL QUALITY LABEL IS FIRMLY ESTABLISHED

Now in its fifth year, Rolling On Interroll (ROI) has undergone systematic expansion as part of the Interroll Group's strategic customer loyalty programme. Some 100 selected partner companies from 40 countries – all of them medium-sized intralogistics companies and long-standing Interroll customers – use this quality label to raise awareness among users in a wide range of industries of the crucial importance of high quality material handling solutions. The focus is also on technological partnerships and shared growth potential.



The ROI community at this year's ROI Global Summit in Rome.



Rolling On Interroll – our global quality label

The initial idea behind ROI was to send out a clear signal of quality and to take a leading role in the development of intralogistics. As a leading global provider of material handling solutions, Interroll is committed to setting new standards when it comes to added value for users in terms of installation times, energy consumption, user-friendliness, safety, ergonomics and hygiene.

Interroll at the heart of the global ROI partner network

In addition, with ROI Interroll has created a worldwide network in which participating partner companies – specialists in the fields of intralogistics and conveyor technology – can exchange information and collaborate with each other. This shared growth has become the motto of the global ROI community, which reached almost 100 members this year and now covers every continent, from Mexico to Japan, from New Zealand to China and Argentina. To qualify for this exclusive limited membership programme, a company must fulfil a number of rigorous selection criteria. Openness, mutual trust and commitment are the values underpinning this community.

Focus on joint growth potential

With a view to strengthening existing partnerships and identifying and stimulating new business opportunities, Interroll held an ROI Global Summit in Rome during the year under review. About 80% of all ROI partners accepted the invitation and met in the Italian capital on 3 and 4 September to gain an even better understanding of the potential applications of Interroll solutions and to discuss future growth potential and the associated challenges. More than 170 delegates from 35 countries participated in workshops, working groups and one-on-one discussions on sustainable growth.

Participants also exchanged views on market and technology trends, both in terms of local markets and at a global level. They used this opportunity to engage in an open exchange of ideas and experiences with Interroll and ROI partners from other countries and industries.

The saying “All roads lead to Rome” was certainly true for many of our ROI partners this year. At the ROI Summit 2019, we were able to highlight our solutions competence even more clearly and at the same time offer our programme partners an exclusive platform through which to network and share experiences. The positive feedback from our participants and the joint business opportunities that emerged from the summit discussions are for us proof that even in a global networked world, true partnerships – both in person and on an equal footing – are vital. And this is exactly what our motto “Growing together” is all about, explains Franz Schöpf, Programme Director Rolling On Interroll.

For additional information, please visit:
www.rollingoninterroll.com

INTERROLL ACADEMY – PLATFORM FOR EXCHANGE

The Interroll Academy is the driving force behind the exchange of knowledge. With our strong commitment to training and further education of our employees, and the exchange of knowledge and expertise with customers and partners, we make an important contribution to the success of our company and the future development of our industry. Thus, we strengthen Interroll’s role as an authority in the field of intralogistics.



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

Our many training and development opportunities enable all employees to develop and use their talents in the best possible way. Through a blended learning combination of both traditional classroom teaching and new, internet-based training methods (e-learning), we are able to respond to individual needs while also reaching employees who are eager to learn but are not on site. Thanks to our mobile learning opportunities, including our own app and other innovative content formats such as podcasts, the Academy enables

users to be as flexible as possible in continuing their professional development.

Important new content was added to the training programme in 2019 (for example, new product developments and management training). Further expansion of our range of our in-house training programmes is planned for 2020.

The Academy team receives external support from the industry’s leading knowledge providers; for example, the Academy works in partnership with the Fraunhofer Institute for Material Flow and Logistics (Dortmund) on “Managing Material Flow Processes” and also works with the Krauthammer Institute.

The Academy is also expanding its offer in the field of smart logistics: Interroll has entered into a partnership with networking specialist Indu-Sol (www.indu-sol.com), which also acts as the Competence Centre of the umbrella organisation PROFIBUS & PROFINET International (PI).



The Interroll Academy has made significant progress in the area of mobile learning for both employees and customers, with its range of apps and podcasts.

CORPORATE GOVERNANCE

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1 INTRODUCTION

Basis of the corporate governance report

The corporate governance report 2019 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.

Authorised or conditional capital

There is no authorised or conditional capital.

Other equity or participation instruments

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

Changes in capital

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 organisational structure

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

Management structure

The Group Management and Interroll management structures are organised by function (Overall Management, Products & Technology, Global Sales & Service, 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 | Philippe Dubois Paolo Bottini | Urs Tanner Stefano Mercorio | Ingo Specht Dr Elena Cortona |

Group Management

| | |
|--|--|
| CHIEF EXECUTIVE OFFICER | |
| Paul Zumbühl | |
| CHIEF FINANCIAL OFFICER | SENIOR VICE PRESIDENT CORPORATE MARKETING & CULTURE |
| Paul Zumbühl (interim)* | Jens Karolyi |
| EXECUTIVE VICE PRESIDENT GLOBAL SALES & SERVICE | EXECUTIVE VICE PRESIDENT PRODUCTS & TECHNOLOGY |
| Dr Christoph Reinkemeier | Jens Strüwing |
| REGIONS | |
| Executive Vice President Americas | Richard Keely |
| Executive Vice President Asia-Pacific | Dr Ben Xia |

* Taken over by Paul Zumbühl effective 1/12/2019.
Daniel Bättig served as CFO of Interroll until 30/11/2019.

Innovation Projects and Development Centre (IPDC), Global Industry Management

The Innovation Projects and Development Centre (IPDC) develops new products and platform concepts in close cooperation with the Centres of Excellence and Industry Management.

| FUNCTIONAL UNIT | MANAGED BY | COMPANY |
|----------------------------|-------------------|---|
| Research & Development | Armin Riemer | Interroll Holding GmbH, Wermelskirchen (DE) |
| Global Industry Management | Maurizio Catino | Interroll Management Ltd (CH) |

Global Centres of Excellence (CoE)

The seven Interroll Centres 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 Centres of Excellence of the Interroll Group are managed by the following persons:

| COUNTRY | FUNCTIONAL UNIT | MANAGED BY | COMPANY |
|----------------|--------------------------|-----------------------|---|
| CH | Technopolymers | Ingo Specht | Interroll Ltd, Sant'Antonino |
| D | Conveyors and 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 |

Worldwide sales and production companies

Regional Centres of Excellence (RCoE)

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

Production companies and local assemblies

Guided by the production processes and production technologies of the global Centres of Excellence, local production companies manufacture and assemble specific products from the Interroll product portfolio. They also assemble semi-finished 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 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 | E. Kaiser | 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., Warsaw (PL) |
| Sales, service | Turkey, Middle East | F. Ratschiller | Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR) |
| Sales, service | Italy | F. Ratschiller | 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) |

AMERICAS

| FUNCTION | REGION/COUNTRY | MANAGED BY | COMPANY |
|--------------------------|-------------------|---------------|---|
| RCoE | USA | A. McCombs | Interroll Corporation, Wilmington/NC (US) |
| RCoE | USA | R. Wright | Interroll Atlanta LLC, Hiram/GA (US) |
| Sales, service | USA | S. Leavengood | 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 | T. Zhang | Interroll (Suzhou) Co. Ltd., Suzhou (CN) |
| RCoE | Asia-Pacific | M.K. Lo | Interroll Shenzhen Co. Ltd., Shenzhen (CN) |
| Sales, service | China | B. Xia a.i. | Interroll Holding Management (Shanghai) Co. Ltd. (CN) |
| Sales, service | South Korea | S. Jeong | Interroll Korea Corp., Seoul (KR) |
| Sales, service | Japan | T. Nakayama | Interroll Japan Co. Ltd., Tokyo (JP) |
| Sales, assembly, service | Thailand | N. Grisorn | Interroll (Thailand) Co. Ltd., Panthong (TH) |
| Sales, service | Singapore, South East Asia | G.W. Seng | Interroll (Asia) Pte. Ltd., Singapore (SG) |
| Sales, assembly, service | Australia | P. Cieri | Interroll Australia Pty. Ltd., Melbourne (AU) |

5 BOARD OF DIRECTORS

Members of the Board of Directors



from left to right

*Philippe Dubois, Stefano Mercurio, Urs Tanner,
Dr Elena Cortona, Paolo Bottini, Ingo Specht*

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. Re-election 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

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 digitalisation 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.

PHILIPPE DUBOIS

(born 1950, Swiss)

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

STEFANO MERCORIO

(born 1963, Italian)

holds a degree in economics. He is currently working 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 13 May 2016 and is also a member of the Remuneration Committee.

6 INTERNAL ORGANISATION

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 2019 financial year, the Board of Directors met on six 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 organisational 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 organisational regulations.

8 INFORMATION AND CONTROL INSTRUMENTS

Reporting to the Board of Directors

At each meeting, the CEO informs the Board of Directors of the course of business, the principal events within the Group and the discharge of duties delegated to 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 2019:

| NAME/YEAR OF BIRTH | NATIONALITY | FUNCTION | MEMBER SINCE |
|----------------------------|-------------|---|---------------|
| Paul Zumbühl (1957) | Swiss | Chief Executive Officer (CEO) | January 2000 |
| Paul Zumbühl (1957) | Swiss | Interim Chief Financial Officer (CFO)* | |
| Jens Strüwing (1969) | German | Executive Vice President Products & Technology | November 2018 |
| Dr Chr. Reinkemeier (1966) | German | Executive Vice President Global Sales & Service | January 2011 |
| 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 |

* Taken over by Paul Zumbühl effective 1.12.2019.
Daniel Bättig served as CFO until 30.11.2019.

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 twenty 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 3 May 2019, Interroll Holding AG has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC has been the Group Audi-

tor 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 in the 2019 financial year.

Audit fees

The audit fees charged by PwC for the audit of the business year 2019 amounted to CHF 0.4 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 "Comprehensive Auditor's Report to the Board of Directors" 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 <https://www.interroll.com/investor-relations/reports-and-publications>. Half-yearly and annual reports can also be downloaded from www.interroll.com as PDF documents. 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 20 November 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 *économiesuisse*, which entered into force on 28 August 2014. Further improvements were made to this remuneration report for 2019 in terms of transparency and readability. The aim is to ensure the best possible transparency for the reader.

BASIC REMUNERATION PRINCIPLES

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 towards 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 from negatively impacting the Group's medium- and long-term interests.
- Remuneration must be commensurate with the level of responsibility, the individual's specific contribution towards 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 Directors 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, material amendments to existing contracts of employment with members of Group Management and make proposals regarding other strategic HR decisions

At the Annual General Meeting of Interroll Holding AG on 8 May 2020, 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 2021 and the maximum possible total remuneration for Group Management for financial year 2020. The voting rules governing the authorisation of the Board of Directors and Group Management are included in the Articles of Incorporation dated 8 May 2015 (Article 12^{bis} Remuneration of the Board of Directors and Group Management).

The Articles of Incorporation can be found on the website www.interroll.com 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 their responsibilities and paid in cash. No variable components are included. In this way, Interroll ensures the independence of the Board of Directors in its supervision of Group Management. The remuneration depends on the workload and responsibilities of the Board of Directors.

All remuneration paid to members of the Board of Directors of Interroll Holding AG by Interroll Holding AG and the subsidiaries over which it has direct or indirect control is decisive in determining annual remuneration.

Every year, the Board of Directors determines the fixed remuneration of the members of the Board of Directors of Interroll Holding AG for the period up to the next Annual General Meeting of Interroll Holding AG on the basis of the approved Articles of Incorporation dated 8 May 2015 (Article 22^{bis}, Total Remuneration of the Board of Directors and the Management), the remuneration regulations dated 15 March 2014 and, at the request of the Remuneration Committee, subject to approval by the Annual General Meeting. Extraordinary efforts that go beyond the normal duties of the Board of Directors may be additionally remunerated. 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 2019 (audited)

Remuneration paid to members of the Board of Directors (BoD) is disclosed as follows 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 | | | | | | | | |
| 2019 | P, CC | 270 | | 35 | | 305 | – | 0.00 |
| 2018 | P, CC | 210 | | 26 | | 236 | – | 0.00 |
| Paolo Bottini | | | | | | | | |
| 2019 | VP, AC | 135 | | 22 | | 157 | 20 | 0.00 |
| 2018 | VP**, AC | 105 | | 17 | | 122 | 20 | 0.00 |
| Philippe Dubois | | | | | | | | |
| 2019 | AC | 100 | | 11 | | 111 | 100 | 0.01 |
| 2018 | AC | 80 | | 8 | | 88 | 100 | 0.01 |
| Elena Cortona | | | | | | | | |
| 2019 | *** | 90 | | 15 | | 105 | – | 0.00 |
| 2018 | | – | | – | | – | – | 0.00 |
| Stefano Mercorio | | | | | | | | |
| 2019 | CC | 100 | | 21 | | 121 | – | 0.00 |
| 2018 | CC** | 80 | | 16 | | 96 | – | 0.00 |
| Ingo Specht | | | | | | | | |
| 2019 | | 90 | | 15 | | 105 | 62,045 | 7.91 |
| 2018 | | 70 | | 12 | | 82 | 63,745 | 8.09 |
| Total Board of Directors | | | | | | | | |
| 2019 | | 785 | – | 119 | – | 904 | 62,165 | 7.93 |
| 2018 | | 545 | – | 79 | – | 624 | 63,865 | 8.11 |

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.

** In this function since 4 May 2018

*** Joined the Board of Directors on 3 May 2019

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

2019 = term of office from AGM 2019 to AGM 2020

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

Valuation of total remuneration for the 2019 term

The remuneration of the Board of Directors of CHF 904,000 (previous year: CHF 624,000) from AGM 2019 to AGM 2020 is within the CHF 1,200,000 approved at the Annual General Meeting 2019 and is higher than for the previous year. An additional member was elected to the board at the AGM 2019 and remuneration was slightly adjusted.

Outlook for total remuneration for the 2020 term

At the Annual General Meeting on 8 May 2020, the Board of Directors will propose a maximum remuneration of CHF 1,200,000 for the term until the next Annual General Meeting 2021 (previous year CHF 1,200,000). The remuneration will remain unchanged, the difference between this and the maximum remuneration shall provide a reserve.

Other remuneration (audited) and additional 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 granted no loans, advances or credits to members of the Board of Directors in the 2019 and 2018 reporting years.

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).

Depending on performance and the course of business, the actual total remuneration can be either higher or lower than *the projected total remuneration*. Group Management's actions must always focus on achieving a long-term sustained increase in value rather than pursuing short-term profit maximisation. The composition of total remuneration for the members of Group Management in general and the CEO in particular is based on this aim.

Total remuneration is determined on the basis of the following key criteria:

- Global responsibility of the relevant role
- Actual individual performance contributing to the Group's long-term strategic development
- Professional and market-related experience
- Complexity of the area of responsibility
- Individual results achieved on behalf of the Group.

The Interroll Group may on occasion seek external advice when determining the structure and level of compensation. As part of the Group's recruitment efforts in Europe and America, market comparisons for top executive positions (industry) were carried out with the help of our recruiting consultants and the results were used in determining the level of remuneration for new appointments to Group Management between 2017 and 2019. Furthermore, comparisons were made on the basis of a detailed Kienbaum Salary Survey and a Willis Towers Watson Salary Survey for top executives (industry) between 2017 and 2019.

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

On the basis of the approved Articles of Association of 8 May 2015 (Article 22^{bis} Total Remuneration of the Board of Directors and the Management), the remuneration regulations of 15 March 2014 and the Remuneration Committee's request, the Board of Directors sets the total compensation of Group Management every year, subject to approval from the Annual General Meeting as of 2015. The Remuneration Committee works out the CEO's total remuneration. The CEO works out the total remuneration of the other members of Group Management and submits his proposal to the Remuneration Committee annually for approval by the Board of Directors. At the Annual General Meeting of Interroll Holding AG on 8 May 2020, the Board of Directors will propose for approval

Overview of the remuneration model for 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 financial and individual target achievement during the reporting year |
| Share ownership (Long-Term Incentive, LTI) | Annual share allocation with multi-year vesting period | Promotion of sustainable results and long-term focus on the interests of shareholders |
| Social security contributions and fringe benefits | Pension scheme, insurance and non-cash benefits | Protection against risks and coverage of business expenses (car) |

Short-term: fixed and variable cash components **Long-term:** blocked shares

the maximum possible total remuneration for Group Management for the financial year 2020.

Fixed remuneration

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

Short-term remuneration component: variable remuneration (Short-Term Incentive, STI)

In accordance with Article 22^{bis} of the Articles of Incorporation, the variable remuneration component for Group Management generally should not exceed 60% of total remuneration (or 150% of fixed remuneration).

The ratio of variable remuneration (STI) to fixed remuneration for the CEO is 75% if all targets are reached (with a maximum of 150% and a minimum of 0%). For members of Group Management in an operational management role, the targeted amount is 50% (with a maximum of 100% and a minimum of 0%). Finally, for members with centralised 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 specified is a theoretical cap and not intended to be an achievable target. For more information, please refer to the table below (Overview of weighting of variable remuneration (STI) in relation to fixed remuneration).

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 company’s financial success used to calculate the *financial success* component of variable remuneration is measured in terms of financial key performance indicators as compared against a predefined benchmark that is set for a three-year period.

The financial key performance indicators are:

- Operating profit (EBITDA)
- Operating profit margin (EBITDA as a % of sales)
- Sales growth (growth compared to the previous year, in %)
- Gross margin (as a % of sales)
- Return on invested capital (ROIC)

Specific performance indicators may be weighted differently or disregarded, depending on the company’s strategic position or the role of each member of Group Management.

The above benchmark is based on both a group of five comparable, extremely well-positioned companies from within our industry (materials handling in Europe and the USA) as well as the ambitious, medium-term financial performance goals we set for our company. The overview provided on page 63 of how the “*financial success*” component of variable remuneration (STI) was calculated is intended to illustrate how performance is measured.

As a rule, the weighting of the *financial success* component in variable remuneration (STI) amounts to 100% for the CEO, at least 75% for members of Group Management in an operational management role and at least 50% for members of Group Management with a centralised role within the holding company.

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): centralised role within the holding company (Corp. Finance, Corp. Marketing)

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

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

| Performance indicators | Meaning | Var. remuneration ³⁾ [“financial success” portion] |
|--|--|--|
| Operating profit (EBITDA) | Earnings power | in x % of EBITDA ¹⁾ |
| Operating profit margin (% of EBITDA) | Profitability | Performance factor ²⁾ |
| Sales growth (% compared to PY) | Market position, innovation | Performance factor ²⁾ |
| Gross margin (as a % of sales) | Pricing power, procurement power | Performance factor ²⁾ |
| Return on invested capital (ROIC) | Management, current and non-current assets | Performance factor ²⁾ |

¹⁾ in x % of EBITDA: the x in the percentage is determined based on the projected remuneration and projected EBITDA

²⁾ Performance factor: 1 corresponds to the benchmark (as described on page 62)
< 1 below the benchmark (min. 0)
> 1 above the benchmark (max. 1.25)

³⁾ Variable remuneration: the “financial success” portion is calculated by multiplying the percentage x by the EBITDA generated during the financial year and then adjusting that amount upward/downward based on the performance factors.

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

“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.

The individual targets relate to, 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.

Basing variable remuneration on a multi-year plan (rather than the annual budget) motivates members of Group Management to think long term. It means that relative continuous improvement is measured against the prior-year periods and the three-year fixed benchmark, and short-term cost-cutting is prevented in the areas of market development and innovation, etc.

The Remuneration Committee may, as an exception, deviate from the agreed variable remuneration in favour of a Group Management member if failure to achieve specific targets was solely attributable to external factors. There was no deviation from the agreement during the reporting year.

Long-term remuneration component: allotment of shares (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 multi-year 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 compensation 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.

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 15 December 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 31 December 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 2019 (audited)

Remuneration of the members of Group Management complies with the requirements of Articles 14 to 16 of the Swiss Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares of 20 November 2013 (VegüV), the Directive on Information relating to Corporate Governance of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse, which entered into force on 28 August 2014, and is as follows:

Explanations regarding the calculation method

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

- Compensation for company cars under IFRS is based on the expenses including depreciation and lease instalments stated in the annual accounts. Under the OR, a rate of 0.8% per month of the acquisition cost of the vehicles is used.
- Under IFRS, share-based remuneration is determined at market value on the allotment date. Under the OR, shares are valued at their taxable value, which is derived from the market value. As a result of the vesting period, the taxable value decreases compared with the market value according to the vesting period defined.
- The difference of CHF 0.373 million (previous year: CHF 0.450 million) related to company cars – CHF 0.033 million (previous year: CHF 0.030 million) – and share-based remuneration – CHF 0.340 million (previous year: CHF 0.420 million).

Valuation of total remuneration for the 2019 financial year

At CHF 5.38 million, total remuneration paid to Group Management in the year just ended was slightly below that of the previous year (CHF 5.44 million) due to the financial and individual targets achieved, and significantly lower than the maximum total remuneration of CHF 5.9 million approved at the Annual General Meeting 2019.

| in CHF thousands | Remuneration (net) | | Share-based compensation | | Social security ²⁾ | Other benefits | Total remuneration |
|-------------------------------|--------------------|------------------------|--------------------------|----------|-------------------------------|----------------|--------------------|
| | Fixed | Variable ¹⁾ | Shares ²⁾ | Options | | | |
| CEO (highest) | | | | | | | |
| 2019 | 716 | 891 | 495 | 0 | 563 | 43 | 2,708 |
| 2018 | 715 | 897 | 497 | 0 | 572 | 44 | 2,725 |
| Other members | | | | | | | |
| 2019 | 1,503 | 62 | 594 | 0 | 385 | 127 | 2,671 |
| 2018 | 1,530 | 281 | 487 | 0 | 291 | 122 | 2,711 |
| Total Group Management | | | | | | | |
| 2019 | 2,219 | 953 | 1,089 | 0 | 948 | 170 | 5,379 |
| 2018 | 2,245 | 1,178 | 984 | 0 | 863 | 166 | 5,436 |

- 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 989 treasury shares were granted to senior executives as part of their bonus plans (2018: 1,053 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.

Due to the target achievement calculated in accordance with the calculation method described, the total remuneration of Group Management in 2019 amounted to 107% of *projected total remuneration* (previous year: 110%).

Variable remuneration for Group Management was equal to 57% (previous year: 63%) of fixed remuneration with a projected value of 49%, and accounted for 32% (previous year: 35%) of total remuneration at a projected value of 30%.

Outlook for total remuneration for the 2020 financial year

The amount of the variable remuneration 2020 to Group Management and payment thereof will be based on the targets reached in 2020. The fixed remuneration 2020 was adjusted for three members of Group Management. The maximum possible total remuneration 2020 of CHF 5.9 million proposed for approval at the Annual General Meeting on 8 May 2020 corresponds to the approved maximum possible total remuneration for the last three financial years of 2017, 2018 and 2019 and is expected to exceed the targets set considerably. It includes a contingency reserve for unforeseen events and currency fluctuations. The total remuneration actually paid out is calculated based on the method described in this report and is generally lower than the maximum authorised at the Annual General Meeting.

Other remuneration (audited) and additional information

The regulations on expenses and pensions are specified in the applicable local employment terms and conditions as well as the relevant statutory and prevailing market conditions of the countries concerned, in particular Germany, the USA, 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, each Group Management member contributes a quarter to a third of the “savings component” to the pension fund. The rest is paid by the employer. A company car and mobile phone are made available to the members of Group Management for business and private use. Alternatively, the corresponding amount is paid as a monthly flat rate. The maximum permitted limits in terms of the value of company cars are regulated in-house. The company car is included in total remuneration 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 pay for members of Group Management is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

The notice periods for members of Group Management range from three to nine months, and 12 months for the CEO. These are thus in compliance with Article 23^{bis} (Remuneration Committee) of the Articles of Incorporation.

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 Group companies granted no loans, advances or credits to members of Group Management in the 2019 and 2018 reporting years.



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 31 December 2019. 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 labelled “audited” on pages 60, 64 and 65 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 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Handwritten signature of Gerhard Siegrist in black ink.

Gerhard Siegrist
Audit expert
Auditor in charge

Handwritten signature of Regina Spälti in black ink.

Regina Spälti
Audit expert

Zurich, 5 March 2020

FINANCIAL REPORT OF THE INTERROLL GROUP

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1 FINANCIAL STATEMENTS OF THE INTERROLL GROUP

1.1 Consolidated statement of financial position

| in CHF thousands | see notes* | 31.12.2019 | in % | 31.12.2018 | in % |
|---|------------|----------------|--------------|----------------|--------------|
| ASSETS | | | | | |
| Property, plant and equipment | 6.1 | 135,504 | | 117,107 | |
| Intangible assets | 6.3 | 27,119 | | 30,423 | |
| Financial assets | | 772 | | 714 | |
| Deferred tax assets | 7.6 | 10,259 | | 9,455 | |
| Total non-current assets | | 173,654 | 39.9 | 157,699 | 37.8 |
| Inventories | 6.5 | 67,588 | | 77,360 | |
| Current tax assets | | 889 | | 1,135 | |
| Trade and other accounts receivable | 6.6 | 109,153 | | 129,481 | |
| Cash and cash equivalents | 6.7 | 83,779 | | 51,967 | |
| Total current assets | | 261,409 | 60.1 | 259,943 | 62.2 |
| Total assets | | 435,063 | 100.0 | 417,642 | 100.0 |
| EQUITY AND LIABILITIES | | | | | |
| Share capital | | 854 | | 854 | |
| Share premium | | 8,479 | | 8,172 | |
| Reserve for own shares | | -26,745 | | -17,639 | |
| Translation reserve | | -61,587 | | -52,944 | |
| Retained earnings | | 383,019 | | 346,397 | |
| Total equity | 6.10 | 304,020 | 69.9 | 284,840 | 68.2 |
| Financial liabilities | 6.12 | 6,688 | | 2 | |
| Deferred tax liabilities | 7.6 | 4,304 | | 3,723 | |
| Pension liabilities | 6.14 | 8,859 | | 7,816 | |
| Provisions | 6.13 | 8,855 | | 8,491 | |
| Total non-current liabilities | | 28,706 | 6.6 | 20,032 | 4.8 |
| Financial liabilities | 6.12 | 197 | | 12 | |
| Current tax liabilities | 7.6 | 18,579 | | 23,289 | |
| Advances received from customers | 6.15 | 16,645 | | 25,512 | |
| Trade and other accounts payable | 6.15 | 66,916 | | 63,957 | |
| Total current liabilities | | 102,337 | 23.5 | 112,770 | 27.0 |
| Total liabilities | | 131,043 | 30.1 | 132,802 | 31.8 |
| Total liabilities and shareholder's equity | | 435,063 | 100.0 | 417,642 | 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* | 2019 | in % | 2018 | in % |
|---|------------|----------------|--------------|----------------|--------------|
| Sales | 5 | 559,664 | 100.0 | 559,851 | 100.0 |
| Material expenses | | -238,433 | -42.6 | -252,447 | -45.1 |
| Personnel expenses | 6.14 & 7.1 | -151,337 | -27.0 | -145,390 | -26.0 |
| Increase/(decrease) in work in progress, finished products and own goods capitalised | | -3,498 | -0.6 | 8,604 | 1.5 |
| Other operating expenses | 7.3 | -73,367 | -13.1 | -80,698 | -14.4 |
| Other operating income | 7.4 | 3,079 | 0.6 | 3,324 | 0.6 |
| Operating result before depreciation and amortisation (EBITDA) | | 96,108 | 17.1 | 93,244 | 16.6 |
| Depreciation | 6.1 | -17,815 | -3.2 | -14,666 | -2.6 |
| Amortisation | 6.3 | -5,971 | -1.1 | -9,175 | -1.6 |
| Operating result (EBIT) | | 72,322 | 12.9 | 69,403 | 12.4 |
| Finance expenses | | -1,207 | -0.2 | -1,663 | -0.3 |
| Finance income | | 935 | 0.2 | 665 | 0.1 |
| Finance result, net | 7.5 | -272 | -0.0 | -998 | -0.2 |
| Result before income taxes | | 72,050 | 12.9 | 68,405 | 12.2 |
| Income tax expense | 7.6 | -16,016 | -2.8 | -16,605 | -3.0 |
| Result | | 56,034 | 10.0 | 51,800 | 9.3 |
| Result attributable to: | | | | | |
| - non-controlling interests | | - | - | - | - |
| - owners of Interroll Holding AG | | 56,034 | 10.0 | 51,800 | 9.3 |
| Values per share (in CHF) | | | | | |
| Non-diluted earnings (result) per share | 6.11 | 66,69 | | 61,32 | |
| Diluted earnings (result) per share | 6.11 | 66,69 | | 61,32 | |
| Dividend payment | | 22,00 | | 16,50 | |

* 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* | 2019 | in % | 2018 | in % |
|--|------------|---------------|------|---------------|------|
| Result | | 56,034 | | 51,800 | |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to income statement | | | | | |
| Remeasurement of pension liabilities | 6.14 | -506 | | 911 | |
| Income tax | | 79 | | -178 | |
| Total items that will not be reclassified to income statement | | -427 | | 733 | |
| Items that in the future may be reclassified subsequently to income statement | | | | | |
| Currency translation differences | | -8,643 | | -6,723 | |
| Income taxes | | - | | - | |
| Total items that in the future may be reclassified subsequently to income statement | | -8,643 | | -6,723 | |
| Other income | | -9,070 | | -5,990 | |
| Comprehensive income | | 46,964 | | 45,810 | |
| Result attributable to: | | | | | |
| - non-controlling interests | | - | - | - | - |
| - owners of Interroll Holding AG | | 46,964 | 8.4 | 45,810 | 8.2 |

* 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* | 2019 | 2018 |
|---|-------------------|----------------|----------------|
| Result | | 56,034 | 51,800 |
| Depreciation, amortisation and impairment | 6.1 & 6.3 | 23,786 | 23,841 |
| Loss/(gain) on disposal of tangible and intangible assets | 7.3 | 498 | -41 |
| Financial result, net | 7.5 | 272 | 998 |
| Income tax expense | 7.6 | 16,016 | 16,605 |
| Changes in inventories | | 6,873 | -19,630 |
| Changes in trade and other accounts receivable | | 18,505 | -28,931 |
| Changes in trade and other accounts payable | | -4,211 | 30,381 |
| Changes in provisions, net | 6.13 | 1,644 | 321 |
| Income tax paid | | -19,723 | -11,032 |
| Personnel expenses on share-based payments | 7.1 | 1,787 | 1,617 |
| Other non-cash expenses/(income) | | -1,858 | 1,479 |
| Cash flow from operating activities | | 99,623 | 67,408 |
| Acquisition of property, plant and equipment | 6.1 | -30,550 | -25,542 |
| Acquisition of intangible assets | 6.3 | -3,015 | -3,074 |
| Acquisition of financial assets | | -109 | -47 |
| Proceeds from disposal of property, plant and equipment | 6.1 & 6.1.1 & 6.3 | 319 | 545 |
| Settlement of loans receivable | | 46 | 1,197 |
| Interest received | | 551 | 427 |
| Cash flow from investing activities | | -32,758 | -26,494 |
| Dividends paid | 1.5 | -18,510 | -13,977 |
| Purchase of treasury shares | | -10,587 | -10,290 |
| Proceeds from financial liabilities | | - | - |
| Repayment of financial liabilities | | -3,330 | -195 |
| Interest paid | | -388 | -76 |
| Cash flow from financing activities | | -32,815 | -24,538 |
| Translation adjustments on cash and cash equivalents | | -2,238 | -1,716 |
| Change in cash and cash equivalents | | 31,812 | 14,660 |
| Cash and cash equivalents at 1 January | | 51,967 | 37,307 |
| Cash and cash equivalents at 31 December | 6.7 | 83,779 | 51,967 |

* 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 2018 | | 854 | 7,902 | -8,695 | -46,221 | 307,840 | 261,680 |
| Result | | | | | | 51,800 | 51,800 |
| Other comprehensive income, net of taxes | | | | | -6,723 | 733 | -5,990 |
| Total comprehensive income | | | | | -6,723 | 52,533 | 45,810 |
| Dividend payment, net | | | | | | -13,977 | -13,977 |
| Share-based payments | 7.1 | | 270 | 1,347 | | | 1,617 |
| Purchase of treasury shares incl. tax effects | 6.10 | | | -10,290 | | | -10,290 |
| Balance at 31 December 2018 | | 854 | 8,172 | -17,638 | -52,944 | 346,396 | 284,840 |
| Change in accounting policy | | | | | | -473 | -473 |
| Balance after change 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 |

* 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 31 December 2019, 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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 accounting principles

In 2019, the Interroll Group changed the accounting principles due to the introduction of new IFRS standards. The new accounting policies applicable from 2019 and their effects are set out under "2.1 New accounting policies". Chapters 2.3, 2.4 and 2.5 contain retained accounting principles, which the Group will continue to apply in the future. Accounting principles that will no longer be applied in the future, but were applicable to the previous year's period 2018, are listed under "2.6 Previous Accounting Policies".

New and amended standards (IAS/IFRS) and interpretations that became effective in 2019

The adoption of new or revised standards and interpretations effective for annual periods beginning on or after 1 January 2019 impacted the consolidated financial statements. The effects of the new standards are disclosed and explained below.

IFRS 16 – Leases

The Group applies IFRS 16 using the modified retrospective approach; therefore, comparative information has not been restated.

The effects of this approach were recognised in retained earnings as of 1 January 2019.

In its first-time application of IFRS 16, the Group recognised lease liabilities for leases that were previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments and discounted at the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease obligations as of 1 January 2019 is 2.9%. Calculation of the average incremental borrowing rate is the weighted average of the incremental borrowing rates used in each country.

The Group has applied the following exemptions in its first-time application of IFRS 16:

- Use of a single discount rate for a portfolio of similar leases
- Assumption of previous assessments of whether a lease is onerous (in accordance with IAS 37)
- Leases with a lease term of 12 months or less as of 1 January 2019 are treated as short-term leases
- Exclusion of initial direct costs from the measurement of rights of use at the date of first application
- Retroactive determination of the lease term for agreements with renewal or termination options.

Up to and including 31 December 2018, leases were classified as either finance or operating leases. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease under the item “Other operating expenses”. In the case of finance leases, the right-of-use asset and the corresponding lease liability were recognised on the balance sheet as assets (as under IFRS 16). The right-of-use asset was depreciated over the shorter of the useful life or the lease term. The lease liability, for its part, was reduced periodically over the lease instalment, with each instalment divided into repayment and financing expenses.

As of 1 January 2019, leases are recognised as right-of-use assets and corresponding lease liabilities at the point in time when the leased asset is available for use by the Group. Each lease payment is divided into repayment of lease liabilities and financing expenses. The principal repayment component is allocated to financing activities in the cash flow statement. The corresponding payments were previously included in cash flow from operating activities. Finance charges are allocated in the income statement under financial expenses during the lease term in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the lease term and is recognised under depreciation. Payments for short-term leases and leases involving assets of minor value (below CHF 5,000) are recognised on a straight-line basis as expenses in the income statement and allocated to cash flow from operating activities in the cash flow statement. Short-term leases are leases that have a lease term of 12 months or less and do not contain any purchase options. Right-of-use assets are reported under the balance sheet item “Property, plant and equipment” and lease liabilities under non-current and current financial liabilities. In the case of leases with term options, an assessment is made on the probability that the option will be exercised. Where this is highly probable, any changes in the lease term associated with the option are taken into account in measuring the right to use the leased asset and the lease obligation, and the underlying incremental borrowing rate is based on the lease term including the option. At present, no binding lease agreements are in place with a start date in the future.

Recognition of lease agreements previously classified as operating leases increased total assets by 1.7 percentage points to CHF 7.2 million as of 1 January 2019. As a result of expansion of the balance sheet, the equity ratio fell accordingly by about 1.2 percentage points. EBITDA as of 31 December 2019 increased by about CHF 3.6 million as a result of changes in accounting policies.

Future amendments and changes to IFRS standards and interpretations

The IASB has issued new and revised standards and interpretations which will not be applied until 1 January 2020 or later and were not applied early in these consolidated financial statements. The effects were generally considered immaterial.

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

b) Recoverable amount of goodwill, patents and 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 non-controlling interests in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income. Accounts payable to, accounts receivable from, income and expenses between the companies included in the scope of consolidation are eliminated. Intercompany profits included in inventories of goods produced are also eliminated.

Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is obtained, while subsidiaries sold are excluded from the consolidated financial statements from the date on which control is given up. The capital consolidation at acquisition date is 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 recognised as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of non-controlling 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 recognised 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 recognised 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 recognised in the income statement and in the statement of comprehensive income under share of profit and loss of associates. Goodwill included in the purchase price, representing any excess of consideration over the Group's share in net assets of the associate, is recognised as part of the investment's carrying amount. Dividends received during the year reduce the carrying amount of such investments.

Investments 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 recognised in retained earnings. Fair value adjustments are recycled through the income statement at the date of disposal.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). All assets and liabilities of the consolidated foreign subsidiaries are translated using the exchange rates prevailing at the closing date. Income, expenses and cash flows are translated at the average exchange rates for the year under review. The foreign currency translation differences resulting from applying different translation rates to the statement of financial position, the income statement and the statement of comprehensive income are added to or deducted from the 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 recognised 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) | | |
|-------|----------------------------------|-------|-------------|--------------------------------|------------|-------------|
| | 2019 | 2018 | Change in % | 31.12.2019 | 31.12.2018 | Change in % |
| 1 EUR | 1.111 | 1.152 | -3.5 | 1.085 | 1.127 | -3.7 |
| 1 USD | 0.993 | 0.977 | 1.6 | 0.966 | 0.984 | -1.8 |
| 1 CNY | 0.144 | 0.147 | -2.4 | 0.139 | 0.143 | -3.0 |

Current/non-current distinction

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

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

Segment reporting

The Interroll Group has consisted of one single business unit since 1 January 2011. The complete product range is sold in all markets through the respective local sales organisations. The customer groups that are OEMs (original equipment manufacturers), 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 semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Centre, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

Group Management and the Interroll management structure are organised by 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 non-cash 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 non-current non-financial assets, except assets from retirement benefits and assets from deferred taxes, are assessed at least once a year. If indications for an impairment exist, a calculation of the recoverable amount is performed (impairment test). For goodwill, other intangible assets with an indefinite useful lifetime and intangible assets which are not yet available for use, the recoverable amount is calculated regardless of the existence of indications of a decrease in value. If the carrying amount of such an asset or the cash generating unit to which such an asset belongs exceeds the recoverable amount, an adjustment is recognised through the income statement. Impairments on a cash generating unit or a group of cash generating units are first 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 pre-tax 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 recognised immediately in the income statement. The fair value of derivatives traded in public markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of derivatives 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. Non-current assets acquired by way of finance leases are recognised at the lower of the present value of future minimum lease payments and fair value, and depreciated accordingly. The related leasing liabilities are presented at their present value.

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

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

Land is not depreciated.

Components of major investments in fixed assets with different estimated useful lives are recognised separately and depreciated accordingly. Estimated useful lives and estimated residual values are revised on 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 capitalised based on the costs incurred as at the closing date. Respective depreciation is recognised when the asset can be used.

Interest directly related to the acquisition or construction of property, plant and equipment is recognised 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 amortised 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 amortised 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 amortised over 10 years. A shorter amortisation period is defined in markets with stiff competition.

Patents and technical know-how are amortised over their expected useful life. In view of the innovative market and competitive environment, the amortisation 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 amortised 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 recognised 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.

Non-current assets held for sale

Tangible assets or a group of assets are classified as "non-current assets held for sale" if their carrying amount will most probably be realised 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. Non-current assets held for sale are presented at the recoverable amount, which is the lower of book value or fair value less costs to sell.

Inventory

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

Shareholders' equity

Shareholders' equity is categorised as follows:

a) Share capital

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

b) Share premium

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

c) Treasury shares

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

Provisions

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

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 capitalised 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 recognised 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 recognised in the income statement at the grant date. Cash inflows resulting from equity-based participation plans are recognised as an increase in equity. Cash-compensated participation plans are recognised as other liabilities and are valued at fair value at the balance sheet date.

Financial result

Interest expenses on loans and finance lease liabilities are recognised as financial expenses, whereas interest income on financial assets is recognised in financial income, both on an accrual basis. Moreover, the financial result includes foreign exchange gains and losses arising from the translation of items of the statement of financial position and transactions in foreign currencies as well as changes in 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 recognised in the income tax item, unless the underlying transaction has been directly recognised in other comprehensive income. In such case the related income tax is also directly recognised in the statement of comprehensive income or in equity. Temporary differences resulting from initial recognition of assets and liabilities are not recognised in the income statement. Temporary differences on the participation value of subsidiaries are recognised except 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 recognised as an asset if it is probable that future taxable profits will be available to realise such benefits.

2.6 Previous accounting principles: applicable until the end of 2018

Up to and including 31 December 2018, leases were classified as either finance or operating leases. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease under the item "Other operating expenses". In the case of finance leases, the right-of-use asset and the corresponding lease liability were recognised on the balance sheet as assets (as under IFRS 16). The right-of-use asset was depreciated over the shorter of the useful life and the lease term. The lease liability, for its part, reduced periodically over the lease instalment, with each instalment divided into repayment and financing expenses.

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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 is 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 recognised assets and liabilities. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group operates an internal monthly "netting" process. Net exposure resulting from assets and liabilities recognised is partially reduced using forward currency contracts. Such contracts are entered into only with highly rated financial institutions. Furthermore, the decentralised structure of the Group contributes to a substantial reduction of foreign currency exchange risks.

b) Interest rate risk

Financial assets and liabilities contain interest-bearing loans at either a fixed or a variable rate. 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 fulfil 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 twelve 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 realisation 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 | 2019 | 2018 |
|---|-------------|-------------|
| Total assets | 435.1 | 417.6 |
| Net financial assets | 76.9 | 52.0 |
| – Cash and cash equivalents | 6.9 | 0 |
| – Bank overdrafts | 83.8 | 52.0 |
| Operating cash flow | 99.6 | 67.4 |
| Equity | 304.0 | 284.8 |
| Equity ratio (equity in % of assets) | 69.9 | 68.2 |
| Result | 56.0 | 51.8 |
| Return on equity (in %) | 19.0 | 19.0 |
| Non-diluted earnings per share (in CHF) | 66.69 | 61.32 |
| Distribution per share (in CHF) | 22.50 | 22.00 |
| Payout ratio (in %) | 33.7 | 35.9 |

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 2019

Acquisitions

As at 16 August 2019, the business activities of our former partner in Iceland were acquired by the Interroll company in Denmark. The market price of tangible and intangible assets was CHF 0.7 million, of which CHF 0.3 million was paid out in August 2019. The balance of the purchase price is due within the next three years and is dependent on the achievement of the targets agreed in the purchase agreement.

Allocation of the acquired net assets

The following table summarises the amount paid for the acquisition and the values of the identified assets and liabilities assumed on the date of acquisition.

| in CHF thousands | 2019 | 2018 |
|------------------------------------|------------|------------|
| | Fair Value | Fair Value |
| Property, plant and equipment | 99 | |
| Intangible assets (customer value) | 163 | |
| Acquired goodwill | 262 | |
| Inventory | 128 | |
| Total assets | 651 | - |
| Bank overdrafts | - | - |
| Other non-current accounts payable | - | - |
| Other current accounts payable | - | - |
| Total liabilities | 0 | - |
| Total acquisition costs | 651 | - |

Cash flow from acquisition of investments

The entire purchase price relates to the acquisition of our former partner in Iceland, and was paid in cash.

| in CHF thousands | 2019 | 2018 |
|-------------------------------------|------------|----------|
| Cash settlement of acquisition | 651 | - |
| Less purchase price retention | -326 | - |
| Net cash used in acquisition | 326 | - |

Additional information on the acquisition

Costs related to the acquisition totalling CHF 0.01 million were recorded under other operating expenses (consulting expenses) in the income statement for the 2019 financial year.

Since 16 August 2019, the facility in Iceland has contributed CHF 0.7 million to total sales revenue for the Interroll Group. The share of net profits for the same period is immaterial.

Had the facility in Iceland been consolidated as early as 1 January 2019, its share of Interroll Group revenue would have been CHF 2.3 million.

New companies

Interroll Conveyor GmbH was incorporated in Germany on 1 January 2019.

Changes in financial year 2018

There were no acquisitions of companies or business activities in the previous year. No payments from previous activities were made either.

5 SEGMENT REPORTING

Sales and non-current assets by geographical market

Sales and non-current assets by geographical market are presented as follows:

| in CHF thousands | Sales | | | | Non-current assets | | | |
|---------------------------|----------------|--------------|----------------|--------------|--------------------|--------------|----------------|--------------|
| | 2019 | in % | 2018 | in % | 2019 | in % | 2018 | in % |
| Germany | 85,562 | 15.3 | 82,164 | 14.7 | 69,372 | 42.7 | 70,213 | 47.6 |
| Rest of EMEA * | 235,440 | 42.1 | 225,453 | 40.2 | 37,282 | 22.9 | 37,034 | 25.1 |
| Total EMEA* | 321,002 | 57.4 | 307,617 | 54.9 | 106,654 | 65.6 | 107,247 | 72.7 |
| USA | 110,699 | 19.7 | 149,774 | 26.8 | 35,927 | 22.1 | 28,695 | 19.5 |
| Other Americas | 38,337 | 6.9 | 23,064 | 4.1 | 2,140 | 1.3 | 1,362 | 0.9 |
| Total Americas | 149,036 | 26.6 | 172,838 | 30.9 | 38,067 | 23.4 | 30,057 | 20.4 |
| Total Asia-Pacific | 89,626 | 16.0 | 79,396 | 14.2 | 17,902 | 11.0 | 10,227 | 6.9 |
| Total Group | 559,664 | 100.0 | 559,851 | 100.0 | 162,623 | 100.0 | 147,531 | 100.0 |

* Europe, Middle East, Africa

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

Information about major customers

Sales are transacted with more than 14,000 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 | 2019 | in % | 2018 | in % |
|----------------------|----------------|--------------|----------------|--------------|
| Drives | 172,389 | 30.8 | 170,845 | 30.5 |
| Rollers | 110,122 | 19.7 | 108,034 | 19.3 |
| Conveyors & Sorters | 223,195 | 39.9 | 220,457 | 39.4 |
| Pallet & Carton Flow | 53,958 | 9.6 | 60,515 | 10.8 |
| Total Group | 559,664 | 100.0 | 559,851 | 100.0 |

Timing of revenue recognition

All order types, with one exception, 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 STATEMENT OF FINANCIAL POSITION

6.1 Property, plant and equipment

Movements of property plant and equipment

| in CHF thousands | Land & building | | Production equipment & machinery | | Office equipment & motor vehicles | | Assets under construction | | 2019 | 2018 |
|---|-----------------|----------------|----------------------------------|----------------|-----------------------------------|---------------|---------------------------|--------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | | |
| COSTS | | | | | | | | | | |
| At 1.1. | 117,478 | 111,471 | 117,178 | 108,806 | 11,443 | 11,052 | 5,408 | 6,398 | 251,507 | 237,727 |
| Change in accounting policy | 6,614 | | 113 | | 456 | | | | 7,183 | - |
| Balance after change at 1 January 2019 | 124,092 | 111,471 | 117,291 | 108,806 | 11,899 | 11,052 | 5,408 | 6,398 | 258,690 | 237,727 |
| Currency translation adj. | -3,731 | -3,043 | -2,772 | -2,642 | -318 | -346 | -132 | -93 | -6,953 | -6,124 |
| Additions | 6,537 | 6,167 | 7,796 | 10,518 | 2,104 | 1,922 | 16,875 | 6,935 | 33,312 | 25,542 |
| Disposals | -569 | -125 | -3,328 | -3,675 | -710 | -1,217 | - | - | -4,607 | -5,017 |
| Reclassifications | 4,238 | 3,008 | 6,756 | 4,171 | 17 | 32 | -11,626 | -7,832 | -615 | -621 |
| At 31.12. | 130,567 | 117,478 | 125,743 | 117,178 | 12,992 | 11,443 | 10,525 | 5,408 | 279,827 | 251,507 |
| ACCUMULATED DEPRECIATION & IMPAIRMENTS | | | | | | | | | | |
| At 1.1. | -44,831 | -41,013 | -81,793 | -79,592 | -7,776 | -7,352 | | | -134,400 | -127,957 |
| Currency translation adj. | 1,494 | 1,113 | 1,845 | 1,831 | 206 | 214 | | | 3,545 | 3,158 |
| Depreciation | -7,304 | -5,008 | -8,592 | -8,037 | -1,919 | -1,622 | | | -17,815 | -14,667 |
| Disposals | 426 | 100 | 2,970 | 3,462 | 521 | 960 | | | 3,917 | 4,522 |
| Reclassifications | - | -23 | 430 | 543 | - | 24 | | | 430 | 544 |
| At 31.12. | -50,215 | -44,831 | -85,140 | -81,793 | -8,968 | -7,776 | | | -144,323 | -134,400 |
| Property, plant and equipment at 31.12. | 80,352 | 72,647 | 40,603 | 35,385 | 4,024 | 3,667 | 10,525 | 5,408 | 135,504 | 117,107 |
| Capital commitments | - | 139 | 1,406 | 3,889 | 4 | - | | | 1,410 | 4,028 |
| Insurance value* | 129,782 | 129,076 | 135,252 | 130,664 | - | - | | | 265,034 | 259,740 |

* 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 | 31.12.2019 | 31.12.2018 |
|--|--------------|------------|
| Carrying amount of lease assets | 6,826 | |
| of which | | |
| – Land & building | 6,267 | |
| – Production equipment & machinery | 200 | |
| – Office equipment & motor vehicles | 359 | |
| Additions to lease assets during current year | 2,832 | |

Income statement

| in CHF thousands | 2019 | 2018 |
|--------------------------------------|--------------|------|
| Depreciation of lease assets | 3,275 | |
| of which | | |
| – Land & building | 2,969 | |
| – Production equipment & machinery | 58 | |
| – Office equipment & motor vehicles | 248 | |
| Interest on lease liabilities | 285 | |
| Variable lease payments | – | |

Cash flow statement

| in CHF thousands | 2019 | 2018 |
|--------------------------------------|--------------|------|
| Total cash outflow for leases | 3,626 | |

Lease liabilities

| in CHF thousands | 2019 |
|--|--------------|
| Liabilities from operating leases as of 31 December 2018 | 6,399 |
| – Plus: Liabilities from finance leases as of 31 December 2018 | 3 |
| – Minus: Current leasing liabilities not recognised | -97 |
| – Minus: Liabilities from low-value leasing agreements not recognised | -57 |
| – Plus: Liabilities arising from options to extend agreements | 1,630 |
| – Discounted using the applicable country-specific interest rate on the first-time application | -224 |
| Balance as of 1 January 2019 | 7,654 |

Lease liabilities by duration

| in CHF thousands | 2019 | 2018 |
|---|--------------|--------------|
| <= 1 year | 3,074 | 2,614 |
| 2 years | 2,035 | 1,727 |
| 3 years | 1,424 | 1,183 |
| 4 years | 963 | 797 |
| 5 years | 656 | 78 |
| > 5 years | 211 | |
| Total lease liabilities (undiscounted) | 8,363 | 6,399 |

6.2 Non-current assets held for sale

No non-current 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 | |
|---|---------------|---------------|----------------|----------------|----------------------------------|----------------|------------------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| COSTS | | | | | | | | | | |
| At 1.1. | 20,436 | 20,753 | 43,701 | 40,829 | 19,274 | 20,745 | 24,442 | 25,230 | 107,853 | 107,557 |
| Currency translation adj. | -440 | -317 | -150 | -125 | -676 | -745 | -760 | -787 | -2,026 | -1,974 |
| Additions | 268 | - | 2,559 | 3,051 | 13 | 22 | 175 | -1 | 3,015 | 3,072 |
| Disposals | - | - | -31 | -144 | - | -782 | - | - | -31 | -926 |
| Reclassifications | - | - | 47 | 90 | 152 | 34 | - | - | 199 | 124 |
| At 31.12. | 20,264 | 20,436 | 46,126 | 43,701 | 18,763 | 19,274 | 23,857 | 24,442 | 109,010 | 107,853 |
| ACCUMULATED AMORTISATION & IMPAIRMENTS | | | | | | | | | | |
| At 1.1. | -3,090 | -3,126 | -33,818 | -27,396 | -18,572 | -18,058 | -21,951 | -22,125 | -77,431 | -70,705 |
| Currency translation adj. | 22 | 36 | 75 | 78 | 662 | 687 | 721 | 777 | 1,480 | 1,578 |
| Amortisation | - | - | -4,718 | -6,589 | -633 | -1,982 | -619 | -603 | -5,970 | -9,174 |
| Disposals | - | - | 31 | 136 | - | 782 | - | - | 31 | 918 |
| Reclassifications | -58 | - | 57 | -47 | - | - | - | - | -1 | -47 |
| At 31.12. | -3,126 | -3,090 | -38,373 | -33,818 | -18,543 | -18,571 | -21,849 | -21,951 | -81,891 | -77,430 |
| Total intangible assets, net at 31.12. | 17,138 | 17,346 | 7,753 | 9,883 | 220 | 703 | 2,008 | 2,491 | 27,119 | 30,423 |

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 pre-tax discount rate of 11.5% in the year under review (2018: 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 37.5 million (2018: CHF 35.1 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 2.4 million (2018: CHF 2.8 million). No transfers from other applications to SAP were made (2018: nil). Amortisation begins from the go-live date and ends after eight years.

Management did not immediately write off any software assets (2018: CHF 1.7 million) in the year under review. In 2019, the regional competence centre in Atlanta in particular was connected using SAP, and enterprise content management (electronic document management) was introduced. In the previous year, SAP was used to open up the technopolymer competence centre in Switzerland and an e-commerce solution was developed using Hybris.

Patents and licences

Patents and licences are normally amortised 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. No impairments were identified in the year under review (previous year: CHF 0.5 million).

Customer relationships

Customer relationships are amortised on a straight-line basis over ten years unless the life cycle is shorter. At the end of 2019, there was still a residual amortisation period of three years remaining on the majority of the customer relationships. A review was performed for indications of impairment in customer relationships. There are no signs that would indicate an impairment of this value.

6.4 Assets pledged or assigned

There were no pledged assets either in the year under review or in the previous year.

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

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|-----------------------------|---------------|---------------|
| Raw materials | 55,155 | 54,651 |
| Work in progress | 15,146 | 17,316 |
| Finished products | 5,935 | 10,104 |
| Valuation allowance | -8,648 | -4,711 |
| Total inventory, net | 67,588 | 77,360 |

No inventory was pledged in either year under review.

Development of valuation allowance on inventory

| in CHF thousands | 2019 | 2018 |
|---|---------------|---------------|
| Balance as per 1.1. | -4,711 | -2,917 |
| Currency translation adjustment | 117 | 124 |
| Additions | -4,216 | -1,994 |
| Reductions | 162 | 76 |
| Total valuation allowance on inventory as per 31.12. | -8,648 | -4,711 |

The increase in valuation allowances relates to slow-moving or non-existent 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. The introduction of the new Drum Motor platform led to a value adjustment of the old stock, in particular at branch offices with their own local assembly infrastructure.

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 analysed for valuation adjustment like trade receivables. There was no valuation adjustment necessary on other accounts receivable in either year under review.

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|---|---------------|----------------|
| Trade accounts receivable from goods and services | 94,954 | 113,053 |
| Valuation allowance | -6,383 | -6,906 |
| Total trade accounts receivable, net | 88,571 | 106,147 |
| Prepaid expenses and accrued income | 3,937 | 7,974 |
| Prepayments for inventories | 4,441 | 3,574 |
| Other accounts receivable | 12,301 | 11,650 |
| Forward exchange dealing | -97 | 136 |
| Total other accounts receivable | 20,582 | 23,334 |
| Total trade and other accounts receivable, net | | 129,481 |

Ageing 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 | 31.12.2019 | | | | 31.12.2018 | | | |
|--|---------------|---------------------|-------------|---------------|----------------|---------------------|-------------|----------------|
| | Gross | Valuation allowance | | Net | Gross | Valuation allowance | | Net |
| | | individual | collective | | | individual | collective | |
| Not past due | 62,878 | -17 | | 62,861 | 57,659 | -12 | | 57,647 |
| Past due 1-30 days | 12,877 | - | | 12,877 | 15,334 | -1 | | 15,333 |
| Past due 31-60 days | 5,996 | - | | 5,996 | 5,812 | -20 | | 5,792 |
| Past due 61-90 days | 1,524 | - | | 1,524 | 2,801 | -36 | | 2,765 |
| Past due > 90 days | 11,679 | -5,921 | -445 | 5,313 | 31,447 | -6,375 | -462 | 24,610 |
| Total trade accounts receivable | 94,954 | -5,938 | -445 | 88,571 | 113,053 | -6,444 | -462 | 106,147 |

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 | 2019 | | | 2018 | | |
|--------------------|---------------------|---------------|-------------|---------------------|---------------|-------------|
| | Valuation allowance | | | Valuation allowance | | |
| | Total | individual | collective | Total | individual | collective |
| At 1.1. | -6,906 | -6,444 | -462 | -6,679 | -6,199 | -480 |
| Additions | -389 | -406 | 17 | 179 | 161 | 18 |
| Allowance used | -1,103 | -1,103 | | -1,351 | -1,351 | |
| Allowance reversed | 253 | 253 | | 227 | 227 | |
| At 31.12. | 1,762 | 1,762 | - | 718 | 718 | - |
| At 31.12. | -6,383 | -5,938 | -445 | -6,906 | -6,444 | -462 |

During the year under review, CHF 0.3 million (previous year: CHF 0.2 million) of irrecoverable trade receivables were written off. Currently, no other risks are identifiable in customer receivables. Sales are broadly diversified across geographical and industrial markets. Thus, the risk of unexpected losses from trade receivables is deemed low.

Currencies in trade accounts receivable

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

| in CHF thousands | 31.12.2019 | in % | 31.12.18 | in % |
|---|---------------|--------------|----------------|--------------|
| EUR | 41,594 | 43.8 | 43,728 | 38.7 |
| USD | 22,743 | 24.0 | 37,006 | 32.7 |
| CNY | 7,964 | 8.4 | 12,472 | 11.0 |
| THB | 1,480 | 1.6 | 2,362 | 2.1 |
| DKK | 2,146 | 2.3 | 2,069 | 1.8 |
| All other currencies | 19,027 | 19.9 | 15,416 | 13.7 |
| Total trade accounts receivable, gross | 94,954 | 100.0 | 113,053 | 100.0 |

Regional breakdown of trade accounts receivable

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

| in CHF thousands | 31.12.2019 | in % | 31.12.18 | in % |
|---|---------------|--------------|----------------|--------------|
| Europe, Middle East, Africa | 48,861 | 51.5 | 51,233 | 45.3 |
| Americas | 24,906 | 26.2 | 39,302 | 34.8 |
| Asia-Pacific | 21,187 | 22.3 | 22,518 | 19.9 |
| Total trade accounts receivable, gross | 94,954 | 100.0 | 113,053 | 100.0 |

On average, trade accounts receivable are outstanding for 45 days (DSO). The respective values are 46 for Europe, 53 for the Americas and 40 for Asia. In the previous year, the DSO was 58 for the Group, 46 for Europe, 95 for the Americas and 45 for Asia.

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

| in CHF thousands | 31.12.2019 | 31.12.18 |
|--|---------------|---------------|
| Cash on hand, bank and postal accounts | 68,201 | 47,701 |
| Current deposits | 15,578 | 4,266 |
| Total cash and cash equivalents | 83,779 | 51,967 |

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 14% (BRL).

Currencies held in cash and cash equivalents

| in % | 31.12.2019 | 31.12.18 |
|--|--------------|--------------|
| EUR | 30.0 | 22.0 |
| CHF | 10.0 | 4.0 |
| CNY | 24.0 | 18.0 |
| USD | 15.0 | 29.0 |
| THB | 2.0 | 2.0 |
| JPY | - | 1.0 |
| KRW | 8.0 | 15.0 |
| BRL | 0.0 | 0.0 |
| ZAR | 2.0 | 2.0 |
| Other currencies | 9.0 | 7.0 |
| Total cash and cash equivalents | 100.0 | 100.0 |

Transfer limitations on cash and cash equivalents

Cash and cash equivalents held by Interroll South Africa and Interroll Brazil are subject to transfer limitations of CHF 1.4 million (2018: CHF 1.5 million). These transfer limitations do not have any impact on their operating activities.

6.8 Financial instruments

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

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

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|---|----------------|----------------|
| Cash and cash equivalents | 83,779 | 51,967 |
| Trade and other accounts receivable w/o advances | 104,712 | 125,771 |
| Financial assets | 772 | 715 |
| Total financial assets at amortised cost | 189,263 | 178,453 |
| Foreign currency forward contracts* | -97 | 136 |
| Total financial instruments at fair value | -97 | 136 |
| Trade and other accounts payable | 51,669 | 61,863 |
| Financial liabilities | 6,886 | 15 |
| Total financial liabilities at carrying amount | 58,555 | 61,878 |

* 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 and liabilities 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 | 31.12.2019 | | | | | 31.12.2018 | | | | |
|--|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|
| | EUR | CHF | USD | SGD | CNY | EUR | CHF | USD | SGD | JPY |
| Financial assets | 3 | 75 | – | 5,142 | – | 3 | 75 | – | 5,174 | – |
| Trade and other accounts receivable | 5,713 | 3,538 | 4,617 | 29 | 1,517 | 7,806 | 2,673 | 6,873 | 42 | 2,169 |
| Cash and cash equivalents incl. intercompany loans | 4,848 | 14,893 | 3,892 | 648 | 352 | 2,463 | 16,401 | 5,079 | 434 | 226 |
| Trade and other accounts payable | 9,395 | 11,338 | 1,358 | – | 5,602 | 11,576 | 10,506 | 3,635 | – | 3,605 |
| Current liabilities | 3,597 | 873 | 260 | – | – | 1,328 | 29,165 | 35 | – | 19 |
| Currency risks on the balance sheet (gross) | 23,556 | 30,717 | 10,127 | 5,819 | 7,471 | 23,176 | 58,820 | 15,622 | 5,650 | 6,019 |
| Elimination of same currency | -12,428 | -18,212 | -2,738 | – | -518 | -13,042 | -38,298 | -6,654 | – | -854 |
| Currency risks on the balance sheet (net) | 11,128 | 12,505 | 7,389 | 5,819 | 6,953 | 10,134 | 20,522 | 8,968 | 5,650 | 5,165 |
| Natural hedges | -579 | -169 | – | – | -6 | -299 | -286 | – | – | -110 |
| FX forward contracts | -3,948 | -2,241 | -4,900 | -2,933 | -596 | -4,954 | -7,210 | -5,800 | -2,651 | – |
| Net currency risk exposure | 6,601 | 10,095 | 2,489 | 2,886 | 6,351 | 4,881 | 13,026 | 3,168 | 2,999 | 5,055 |

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 recognised 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 non-current 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 neutralised 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 | | | 31.12.2019 | | 31.12.2018 | | |
|---------------------------------------|----------|----------|---------------------------|------------|------------|---------------------------|------------|
| Hedged currency | Sell/buy | Maturity | Notional amount in CHF | Fair value | Sell/buy | Notional amount in CHF | Fair value |
| USD | USD/CHF | Feb 20 | 2,975 | 43 | USD/CHF | 1,616 | 11 |
| USD | USD/EUR | Feb 20 | 1,924 | 5 | EUR/USD | 4,185 | -23 |
| SGD | SGD/CHF | Feb 20 | 2,933 | 2 | SGD/CHF | 2,651 | -9 |
| EUR | GBP/EUR | Feb 20 | 1,984 | -48 | EUR/GBP | 3,148 | 59 |
| EUR | EUR/TRY | Feb 20 | 880 | -4 | EUR/TRY | 632 | 75 |
| EUR | BRL/EUR | Feb 20 | 584 | -22 | | | |
| JPY | | | | | JPY/EUR | 877 | -2 |
| CNY | CNY/EUR | Feb 20 | 596 | -10 | EUR/CNY | 1,174 | -34 |
| CHF | CHF/EUR | Feb 20 | 2,242 | -28 | CHF/EUR | 7,211 | 89 |
| CZK | EUR/CZK | Feb 20 | 501 | 7 | | | |
| PLN | CHF/PLZ | Jan 20 | 1,955 | -7 | PLN/CHF | 686 | -4 |
| THB | THB/CHF | Feb 20 | 3,050 | -10 | THB/CHF | 594 | - |
| THB | THB/EUR | Feb 20 | 1,449 | -22 | THB/EUR | 885 | -11 |
| CAD | CHF/CAD | Jan 20 | 1,547 | -3 | CAD/CHF | 626 | -15 |
| Total FX forward contracts | | | | -97 | | | 136 |

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 | 31.12.2019 | | | 31.12.2018 | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 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 | 1,861 | 387 | 967 | 440 | 1,318 | 1,479 |
| Cash and cash equiv. incl. IC loans | 14,602 | 2,906 | 107 | 16,370 | 775 | 841 |
| Trade and other payables | 6,624 | -710 | -283 | 5,327 | - | 960 |
| Current liabilities | 873 | - | - | 29,165 | - | - |
| Gross exposure per currency pair | 24,035 | 2,583 | 791 | 51,377 | 2,093 | 3,280 |
| Risks opposing each other | -14,994 | -215 | -510 | -33,770 | 880 | -1,920 |
| FX forward contracts | -2,242 | -2,975 | | -7,211 | -1,616 | |
| Net FX exposure per currency pair | 6,799 | -607 | 281 | 10,396 | 1,357 | 1,360 |
| Currency change in % | 4 | 2 | 2 | 3 | 1 | 0 |
| Effect on the result (+/-) | 238 | 10 | 5 | 333 | 7 | 5 |
| Income tax expense at 20.73% | -49 | -2 | -1 | -69 | -1 | -1 |
| Net FX exposure after income taxes | 189 | 8 | 4 | 264 | 6 | 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 15.6 million (previous year: CHF 4.3 million, see also note 6.12). These comprise CHF 16.4 million (previous year: CHF 4.9 million) in financial assets, of which CHF 0.8 million (previous year: CHF 0.7 million) are non-interest-bearing. There are no financial liabilities (previous year: nil). The portion of non-interest bearing liabilities 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 | 31.12.2019 | | | | | 31.12.2018 | | | | |
|---|------------------------|---------------------|--------------|-------------|------------------------|---------------------|--------------|------------|--|--|
| | 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 | 0.2–3.0 | 2,129 | | | 0.01 – 4.0 | 1,222 | | | | |
| Variable interest rate | 0.03–6.75 | 13,450 | 135 | -135 | 2.20–7.56 | 3,044 | 30 | -30 | | |
| Non-interest-bearing | - | 771 | | | - | 661 | | | | |
| Total deposits | | 16,350 | 135 | -135 | | 4,927 | 30 | -30 | | |
| Total loans | | - | - | - | | - | - | - | | |
| Cash on hand, bank and postal accounts | | 68,201 | | | | 47,701 | | | | |
| Trade and other receivables | | 104,712 | | | | 125,635 | | | | |
| Total other financial assets | | 172,913 | - | - | | 173,336 | - | - | | |
| Total financial assets | | 189,263 | 135 | -135 | | 178,263 | 30 | -30 | | |
| FINANCIAL LIABILITIES | | | | | | | | | | |
| Total bank loans | | - | - | - | | - | - | - | | |
| Non-interest-bearing | | - | | | | - | | | | |
| Total other loans | | - | - | - | | - | - | - | | |
| Bank overdrafts | | 1 | | | | 2 | | | | |
| Trade and other accounts payable | | 51,766 | | | | 61,863 | | | | |
| Financial liabilities | | 6,886 | | | | - | | | | |
| Total trade and other accounts payable | | 58,653 | - | - | | 61,865 | - | - | | |
| Total financial liabilities | | 58,653 | - | - | | 61,865 | - | - | | |
| Net financial liabilities | | 130,610 | 135 | -135 | | 116,398 | 30 | -30 | | |

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 0.14 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 0.03 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 68.0 million (2018: CHF 68.4 million).

Committed credit limits amounted to CHF 40 million, of which CHF 20 million were extended for a further three years in 2018 under the same terms. They safeguard funding of the future investment programme 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**

| | 2019 | 2018 |
|--|----------------|----------------|
| Issued shares par value CHF 10.00 each (previous year: CHF 10.00) | 854,000 | 854,000 |
| Own shares held by the Group as per 1.1. | 11,848 | 6,901 |
| Purchase of own shares | 5,700 | 6,000 |
| Attribution of shares relating to bonus plan | -989 | -1,053 |
| Treasury shares held by the Group as per 31.12. | 16,559 | 11,848 |
| thereof unreserved | 16,559 | 11,848 |
| Shares outstanding at 31.12. | 837,441 | 842,152 |

6.11 Earnings per share

Non-diluted earnings per share

The non-diluted earnings per share in 2019 amount to CHF 66.69 (2018: CHF 61.32). The calculation is based on the profit attributable to the shareholders of the parent company, divided by the weighted average of shares outstanding.

| | 2019 | 2018 |
|---|----------------|----------------|
| Result attributable to the equity holders (in CHF thousands) | 56,034 | 51,800 |
| Shares outstanding as per 1.1. | 842,152 | 847,099 |
| Effect of the purchase of treasury shares | -2,740 | -3,216 |
| Effect of the sale/attribution of treasury shares | 834 | 918 |
| Weighted average of shares outstanding | 840,246 | 844,801 |
| Non-diluted earnings per share (in CHF) | 66,69 | 61,32 |

Diluted earnings per share

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

| | 2019 | 2018 |
|---|----------------|----------------|
| Result attributable to the equity holders (in CHF thousands) | 56,034 | 51,800 |
| Weighted average of shares outstanding (diluted) | 840,246 | 844,801 |
| Diluted earnings per share (in CHF) | 66,69 | 61,32 |

6.12 Financial liabilities

Details of current and non-current financial liabilities

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|--|--------------|------------|
| Bank overdrafts | 1 | 2 |
| Other loans | - | - |
| Lease liabilities (finance + operating) | 196 | 10 |
| Total current financial liabilities | 197 | 12 |
| Lease liabilities (finance + operating) | 6,688 | 3 |
| Total non-current financial liabilities | 6,688 | 3 |
| Total financial liabilities | 6,885 | 15 |

Net financial liabilities to equity ratio

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|--|----------------|----------------|
| Total financial liabilities | 6,885 | 15 |
| ./. Cash and cash equivalents | -83,779 | -51,967 |
| Net financial liabilities (-net cash) | -76,894 | -51,952 |
| Equity | 304,020 | 284,840 |
| Net financial debt in % of the equity | n/a | n/a |

Loan structure

| in CHF thousands | | | | | | 31.12.2019 | 31.12.2018 | |
|--------------------|----------|-------------------------------|--------------------------------|---------------------|------------|--------------------|------------|--------------------|
| | Currency | Weighted av. interest rate | Interest due Fixed/variable | Year of maturity | Face value | Carrying amount | Face value | Carrying amount |
| Other loans | USD | 0% | F | 2018 | - | - | 13 | 13 |
| Total loans | | | | | - | - | 13 | 13 |

Maturities of financial liabilities

The financial liabilities as at 31 December 2019 are due as follows:

| in CHF thousands | Carrying amount | Face value (undiscount- ed) | 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 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 31 December 2018 were due as follows:

| in CHF thousands | Carrying amount | Face value (undiscount- ed) | within 12 months | within 2 years | within 3 years | within 4 years | within 5 years | > 5 years |
|------------------------------------|--------------------|-----------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-----------|
| Other loans | 13 | 13 | 10 | 2 | 1 | | | |
| Bank overdrafts | 2 | 2 | 2 | | | | | |
| Trade/other accounts payable * | 61,863 | 61,863 | 61,863 | | | | | |
| Total financial liabilities | 61,878 | 61,878 | 61,875 | 2 | 1 | - | - | - |

* 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.

6.13 Provisions

Movements in provisions

| in CHF thousands | Warranties | | Other provisions | | Total | |
|----------------------------------|--------------|--------------|------------------|------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| At 1.1. | 8,187 | 7,931 | 304 | 176 | 8,491 | 8,107 |
| Currency translation adjustments | -187 | -229 | -22 | -16 | -209 | -245 |
| Provisions made | 4,472 | 4,700 | 500 | 400 | 4,972 | 5,100 |
| Provisions used | -2,918 | -3,034 | -49 | -250 | -2,967 | -3,284 |
| Provisions reversed | -1,396 | -1,181 | -36 | -6 | -1,432 | -1,187 |
| At 31.12. | 8,158 | 8,187 | 697 | 304 | 8,855 | 8,491 |

Warranty provisions

The Group companies normally grant a 24-month warranty. The warranty provision is recognised on the basis of past experience as well as on existing warranty claims for specific projects. The warranty provision is about 1.5% (previous year: 1.5%) of net sales. Experience has shown that 36%–50% of the warranty provision is used the following year without affecting income.

Other provisions

The other provisions mainly include provisions for litigation.

6.14 Employee benefits

General information on the pension plans of the Group

The pension costs for 2019 amounted to CHF –3.2 million (2018: CHF –3.0 million) and were recognised in the income statement. Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are classified as defined benefit plans under IAS 19. In 2019, 222 people participated in these defined benefit plans; in 2018, the number was 212. 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 recognised 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 recognised 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 | 2019 | 2018 |
|---|--------------|--------------|
| Costs of the defined contribution plans | 1,893 | 1,716 |
| Current service costs, net | 1,142 | 1,168 |
| Administrative expenses | 54 | 57 |
| Interest costs | 74 | 65 |
| Costs of the defined benefit plans | 1,270 | 1,290 |
| Effects of changes in financial assumptions | 3,800 | –855 |
| Effects of experience assumptions | 1,001 | –415 |
| (Return) on plan assets (excl. interest income) | –4,295 | 359 |
| Remeasurements included in other income | 506 | –911 |
| Defined benefit costs | 3,669 | 2,095 |

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

Amounts recognised in the statement of financial position

| in CHF thousands, per 31.12. | 2019 | 2018 |
|---|---------------|---------------|
| Present value of defined benefit obligation | –35,404 | –28,627 |
| Fair value of plan assets | 26,545 | 20,811 |
| Pension liability | –8,859 | –7,816 |

Roll forward of the defined benefit obligation

| in CHF thousands | 2019 | 2018 |
|---|----------------|----------------|
| Benefit obligation as per 1.1. | -28,627 | -28,473 |
| Current service costs, net | -1,142 | -1,168 |
| Interest costs | -279 | -231 |
| Contributions from employees | -514 | -485 |
| Benefits (funded)/paid, net | -93 | 431 |
| Benefits (funded)/paid, net from employer | 18 | 0 |
| Translation difference | 34 | 29 |
| Remeasurements | | |
| – Effects of changes in financial assumptions | -3,800 | 855 |
| – Effects of experience assumptions | -1,001 | 415 |
| Benefit obligation as per 31.12. | -35,404 | -28,627 |

Roll forward of the present value of plan assets

| in CHF thousands | 2019 | 2018 |
|--|---------------|---------------|
| Fair value of plan assets as per 1.1. | 20,811 | 20,323 |
| Administrative expenses | -54 | -57 |
| Interest income | 205 | 166 |
| Employer contributions | 686 | 686 |
| Employee contributions | 514 | 485 |
| Benefits funded/(paid), net | 93 | -431 |
| Translation difference | -5 | -2 |
| Income of plan assets | 4,295 | -359 |
| Fair value of plan assets as per 31.12. | 26,545 | 20,811 |

Investment categories

| in CHF thousands | 2019 | 2018 |
|--|---------------|---------------|
| Equities (quoted market prices) | 6,893 | |
| Bonds (quoted market prices) | 7,502 | |
| Real estate (other than quoted market prices) | 1,275 | |
| Real estate (direct investments) | 6,595 | |
| Alternative investments (quoted market prices) | 1,861 | |
| Qualified insurance policies | 1,874 | 20,746 |
| Others | 140 | |
| Cash | 405 | 65 |
| Total investments | 26,545 | 20,811 |

Net defined benefit liability (asset) reconciliation

| in CHF thousands | 2019 | 2018 |
|--|---------------|---------------|
| Net defined benefit liability as per 1.1. | -7,816 | -8,149 |
| Defined benefit costs included in P/L | -1,270 | -1,290 |
| Total remeasurements included in OCI | -506 | 911 |
| Employer contributions | 704 | 686 |
| Translation difference | 29 | 26 |
| Net defined benefit liability as per 31.12. | -8,859 | -7,816 |

Actuarial assumptions

| in % | 2019 | 2018 |
|-------------------------------------|----------|----------|
| Discount rate | 0.4 | 1.0 |
| Future salary increases | 1.3 | 1.5 |
| Expected benefit increases | 0.0 | 0.0 |
| Fluctuation rate | 10.0 | 10.0 |
| Mortality probabilities | BVG 2015 | BVG 2015 |
| Weighted modified duration in years | 19.7 | 20.7 |

Sensitivities

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

| | | | |
|--------------------------------|--------------|---------------|---------------|
| Discount rate | 0.36% | +0.25% | -0.25% |
| Benefit obligation | -35,404 | -33,693 | -37,239 |
| Rate of salary increase | 1.27% | +0.25% | -0.25% |
| Benefit obligation | -35,404 | -35,571 | -35,236 |

Sensitivities are based on possible changes that are likely as at the end of 2019.

6.15 Trade and other accounts payable, accrued expenses

| in CHF thousands | 31.12.2019 | 31.12.2018 |
|---|---------------|---------------|
| Trade accounts payable to third parties | 21,809 | 20,905 |
| Total trade accounts payable | 21,809 | 20,905 |
| Other liabilities | 13,312 | 15,446 |
| Advances received from customers | 16,645 | 25,512 |
| Total other accounts payable | 29,957 | 40,958 |
| Accrued personnel expenses | 10,675 | 9,743 |
| Accrued interest | 4 | 4 |
| Other accrued expenses | 21,116 | 17,859 |
| Total accrued expenses | 31,795 | 27,606 |
| Total trade and other accounts payable, accrued expenses | 83,561 | 89,469 |

Advance payments received from customers mainly relate to larger customer projects in the “Conveyors & Sorters” and “Pallet & Carton Flow” 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 realised following the final approval of the respective project.

Practically all advances received from customers existing at the beginning of 2019 were recognised 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 | 2019 | 2018 |
|---|---------------|---------------|
| Opening balance of advances received from customers | 25,512 | 13,320 |
| – Revenue recognised that was included in the “Advances received from customers” balance at the beginning of the period | –24,939 | –12,927 |
| – Increases due to cash received, excluding amounts recognised as revenue during the period | 16,586 | 25,780 |
| Currency translation adj. | –514 | –661 |
| Closing balance of advances received from customers | 16,645 | 25,512 |

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details of personnel expenses and number of employees

| in CHF thousands | 2019 | 2018 |
|--|----------------|----------------|
| Wages and salaries | 124,350 | 120,217 |
| Social security costs | 18,816 | 17,551 |
| Pension costs (see note 6.15) | 3,163 | 3,006 |
| Other personnel-related costs | 3,221 | 2,999 |
| Equity-based personnel expenses for management personnel | 1,787 | 1,617 |
| Total personnel expenses | 151,337 | 145,390 |
| Thereof production-related personnel expenses | 67,522 | 70,652 |
| Average number of employees (FTE) | 2,284 | 2,198 |

In the year under review, a total of 989 treasury shares (previous year: 1053) were allocated to senior employees under bonus plans, of which 989 shares (previous year: 1048 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 capitalised as the preconditions stated in IAS 38 are not met cumulatively.

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

| in CHF thousands | 2019 | 2018 |
|---|--------|--------|
| Research and development (R & D) expenditures | 10,629 | 11,297 |
| R & D in % of net sales | 1.90 | 2.02 |

7.3 Other operating expenses

| in CHF thousands | 2019 | 2018 |
|---|---------------|---------------|
| Production-related expenses | 11,001 | 10,927 |
| Freight | 13,853 | 13,849 |
| Office, administration and IT services | 10,031 | 9,368 |
| Building costs | 4,187 | 6,784 |
| Travelling and transportation | 6,724 | 6,370 |
| Marketing | 5,698 | 5,096 |
| Consultancy, auditing and insurance | 7,276 | 6,281 |
| Provisions and allowances, net | 2,316 | 3,656 |
| Variable sales costs | 1,826 | 3,679 |
| Non-income taxes | 1,734 | 2,483 |
| Other expenses and services | 8,223 | 12,113 |
| Losses on disposals of tangible/intangible assets | 498 | - |
| Realised effects on exchange loss | - | 92 |
| Total other operating expenses | 73,367 | 80,698 |

7.4 Other operating income

| in CHF thousands | 2019 | 2018 |
|--|--------------|--------------|
| Income from freight and packing | 2,445 | 2,722 |
| Income from services | 252 | 286 |
| Government grants received | 382 | 275 |
| Gain on disposal of tangible and intangible assets | - | 41 |
| Total other operating income | 3,079 | 3,324 |

7.5 Financial result

| in CHF thousands | 2019 | 2018 |
|--|---------------|---------------|
| Fair value changes of foreign currency forward contracts | -233 | |
| Realised translation losses | | -1,209 |
| Realised translation expenses | -515 | -124 |
| Interest expenses | -459 | -330 |
| Financial expenses | -1,207 | -1,663 |
| Net currency gains | 264 | |
| Fair value changes of foreign currency forward contracts | | 237 |
| Interest income | 671 | 428 |
| Financial income | 935 | 665 |
| Financial result, net | -272 | -998 |

7.6 Income tax expense

Components of income tax expense

| in CHF thousands | 2019 | 2018 |
|---|---------------|---------------|
| Income taxes relating to the current period | 18,579 | 18,475 |
| Income taxes relating to past periods, net | -2,385 | 473 |
| Current income tax expense | 16,194 | 18,948 |
| Due to temporary differences | -701 | -2,336 |
| Due to tax rate changes | 518 | -7 |
| Other effects (including acquisition) | 5 | 0 |
| Deferred income tax expense/(income) | 178 | -2,343 |
| Total income tax expense | 16,016 | 16,605 |

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

Deferred tax liabilities of CHF 0.3 million (previous: CHF 0.2 million) were not recognised 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 | 2019 | 2018 |
|--|---------------|---------------|
| Result before income taxes | 72,050 | 68,405 |
| Income tax expense at the expected tax rate of 20.7% (2018: 20.7%) | 14,936 | 14,180 |
| (Tax credits)/tax charges on prior years' results, net | -2,385 | 473 |
| Effect from deviation to tax rates in Group companies | 2,693 | 597 |
| Tax rate changes, net | 465 | -10 |
| (Non-taxable income)/non-tax-deductible expenses, net | -1,440 | 1,371 |
| (use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net | 1,742 | -5 |
| (Reversal of)/write-offs on deferred tax assets, net | 5 | -1 |
| Other effects | - | - |
| Effective (total) income tax expense | 16,016 | 16,605 |

The income tax expense analysis is 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 | 31.12.2019 | | 31.12.2018 | |
|--|---------------|-----------|---------------|-----------|
| | not activated | activated | not activated | activated |
| Expiry: | | | | |
| 2019 | | | | |
| 2020 | - | | - | |
| 2021 | 117 | | 117 | |
| 2022 | | | | |
| 2023 | 348 | | 350 | |
| 2024 and later | 10,193 | | 13,852 | |
| unlimited | 13,734 | | 11,976 | |
| Total | 24,392 | - | 26,295 | - |
| Tax benefit | 6,249 | | 6,578 | |
| Thereof unrecognisable | -6,249 | | -6,578 | |
| Deferred tax assets from carried forward losses | | - | | - |

New loss carryforwards of CHF 5.4 million resulted in a potential tax credit of CHF 1.4 million in 2019. In the period under review no tax assets were capitalised. New loss carryforwards of CHF 4.4 million resulted in a potential tax credit of CHF 1.2 million in 2018.

Deferred tax assets on unused tax losses carried forward and based on temporary differences are capitalised in case it is probable that such assets can be offset against future taxable profits. No deferred tax assets are reported on the balance sheet for the other loss carryforwards due to the foreseeable potential for offsetting in 2019 (2018: CHF 0.0 million). The majority of unrecognised deferred taxes on loss carryforwards are loss carryforwards of US companies. Applicable tax rate for the reporting year 2019 is 26% (2018: 26%).

Attribution of deferred tax assets/liabilities to balance sheet items

| in CHF thousands | 31.12.2019 | | 31.12.2018 | |
|--------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | 3,118 | 522 | 367 | 719 |
| Property, plant and equipment | 1,294 | 4,346 | 1,663 | 3,162 |
| Financial assets | – | 2,970 | 253 | 8 |
| Inventory | 8,600 | 84 | 6,361 | 639 |
| Benefits of loss carryforwards | – | – | – | – |
| Receivables | 307 | 1,091 | 579 | 981 |
| Total assets | 13,319 | 9,013 | 9,223 | 5,509 |
| Non-current debts | 1,169 | – | – | 893 |
| Provisions | 1,187 | 1,283 | 1,406 | 955 |
| Current debts | 198 | 59 | 890 | 193 |
| Other liabilities | 613 | 176 | 1,788 | 25 |
| Total liabilities | 3,167 | 1,518 | 4,084 | 2,066 |
| Set-off | –6,227 | –6,227 | –3,852 | –3,852 |
| Total net | 10,259 | 4,304 | 9,455 | 3,723 |

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 2019, the Interroll Group issued third-party guarantees totalling CHF 0.2 million (2018: CHF 0.4 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 | |
|----------------------------|----------|------------|------------|---------------|------------|
| | | 2019 | 2018 | 31.12.2019 | 31.12.2018 |
| Purchase of materials | a | 298 | 242 | 10 | 31 |
| Consulting services | b | - | 56 | - | - |
| IT investments/IT services | a | 3 | 76 | - | - |
| Other purchases | a | 139 | 144 | - | - |
| Total purchases | | 440 | 518 | 10 | 31 |

| in CHF thousands | Category | Volume | | Open receivables | |
|-----------------------|----------|-----------|------------|------------------|------------|
| | | 2019 | 2018 | 31.12.2019 | 31.12.2018 |
| Sale of materials | a | 16 | 104 | - | 7 |
| Total services | | 16 | 104 | - | 7 |

Definition of related parties

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

- a) Shareholders of Interroll Holding AG owning more than 3% of the share capital.
- b) Members of the Board of Directors of Interroll Holding AG. This definition also applies to transactions with companies controlled by a member of the Board of Directors.

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 2019 (2018: CHF 0.6 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 57–65).

Total compensation for the Group Management

| in CHF thousands | 2019 | 2018 |
|--|--------------|--------------|
| Salaries incl. bonus | 3,582 | 3,818 |
| Post-employment benefits | 741 | 663 |
| Equity-based compensation | 1,429 | 1,407 |
| Total compensation for the Group Management | 5,752 | 5,888 |

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 57–65).

8.3 Subsequent events

The consolidated financial statements for the year 2019 were approved by the Board of Directors on 5 March 2020 and are subject to further approval by the Annual General Meeting of Shareholders on 8 May 2020.

No event has occurred between 31 December 2019 and 5 March 2020 that would require adjustment to the carrying amount of the Group's assets and liabilities as at 31 December 2019, or would require disclosure in accordance with IAS 10.

8.4 Scope of consolidation

| Name | Location (country) | Function | Owner | Share capital in 1,000 | Ownership in % |
|-------------------------------------|----------------------------|----------|--------|------------------------|----------------|
| 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 Conveyor GmbH | Kronau (DE) | D | DHO | EUR 25.0 | 100% |
| Interroll Trommelmotoren GmbH | Baal/Hückelhoven (DE) | P | DHO | EUR 77.0 | 100% |
| Interroll SAS | Saint-Pol-de-Léon (FR) | F | HDE | EUR 2,808.0 | 100% |
| Interroll SAS | La Roche-sur-Yon (FR) | P | F | EUR 2,660.0 | 100% |
| Interroll SAS | Saint-Pol-de-Léon (FR) | S | F | EUR 61.0 | 100% |
| Interroll Nordic AS | Hvidovre (DK) | S | DKP | EUR 67.1 | 100% |
| Interroll Joki AS | Hvidovre (DK) | P | HD | EUR 2,013.8 | 100% |
| Interroll Ltd. | Kettering (GB) | S | HDE | GBP 0.0 | 100% |
| Interroll Engineering Ltd. | Kettering (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. | Warsaw (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) | 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/S | IAU | USD 0.0 | 100% |
| Interroll Real Estate, LLC | Wilmington, DE (US) | F | IAU | USD 0.0 | 100% |
| Interroll Canada Ltd. | Newmarket, ON (CA) | P/S | HD | CAD 1,720.1 | 100% |
| Interroll Logística Ltda | Jaguariuna/S. Paulo (BR) | P/S | HD/E | BRL 9,049.7 | 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 18,625.0 | 100% |
| Interroll Suzhou Co. Ltd. | Suzhou (CN) | P/S | SGP | CNY 42,490.2 | 100% |
| Interroll Holding Management (Shanghai) Co. Ltd. | Shanghai (CN) | S | SGP | CNY 13,373.0 | 100% |
| Interroll Shenzhen Co. Ltd. | Shenzhen (CN) | P | SGP | CNY 5,770.0 | 100% |
| Interroll Australia Pty. Ltd. | Thomastown (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) | P/S | SGP/HD | KRW 1,500,000.0 | 100% |

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

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 2019

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

Changes to the scope of consolidation in 2018

During the year under review no acquisitions or divestitures were carried out.



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 statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

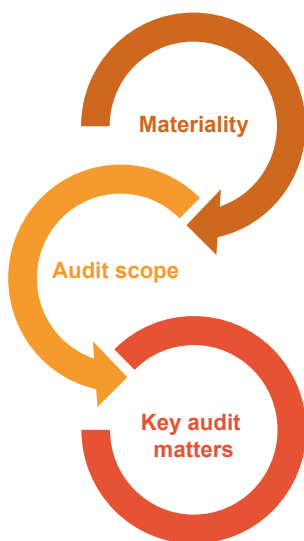
In our opinion, the consolidated financial statements (pages 68 to 115) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International 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 IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overall Group materiality: CHF 3,400,000

We concluded full-scope work at 9 Group companies in 6 countries.

In addition, specified audit procedures were performed on a further 10 reporting units in 5 countries.

Our audit scope addressed 72% of the sales revenue and 69% of the assets of the Group.

The following focus area has been identified as a key audit matter:
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 defined 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 3,400,000 |
| 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 170,000 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 that an appropriate and 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 on-site at the company headquarters. This included, among other matters, the annual impairment testing of goodwill.

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 31 December 2019, trade receivables amount to CHF 109.2 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 amortised 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 31 December 2019.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements 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 can be found on 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, 5 March 2020

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* | 31.12.2019 | 31.12.2018 |
|---|------------|----------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | | 5,385 | 1,040 |
| Accounts receivable from subsidiaries | | 2,033 | 2,828 |
| Other receivables from third parties | | 135 | 330 |
| Loans to subsidiaries | | 8,062 | 36,248 |
| Total current assets | | 15,615 | 40,446 |
| Investments | | 105,354 | 105,354 |
| Loans to subsidiaries | 3.3 | 7,885 | 5,541 |
| Total non-current assets | | 113,239 | 110,895 |
| Total assets | | 128,854 | 151,341 |
| EQUITY AND LIABILITIES | | | |
| Trade and other accounts payable to subsidiaries | | 328 | 13 |
| Trade and other accounts payable to third parties | | 16 | 37 |
| Loans from subsidiaries | 3.4 | 3,674 | 1,295 |
| Accrued expenses | | 2,115 | 1,882 |
| Total current liabilities | | 6,133 | 3,227 |
| Total non-current liabilities | | - | - |
| Share capital | 3.5 | 854 | 854 |
| Legal reserve | | | |
| - Share premium | | 8 | 8 |
| - Other legal reserves | | 5,209 | 5,209 |
| - Available earnings | | 143,395 | 159,682 |
| Treasury shares | 3.1 | -26,745 | -17,639 |
| Total shareholder's equity | | 122,721 | 148,114 |
| Total liabilities and equity | | 128,854 | 151,341 |

* See notes to the financial statements

1.2 Income statement

| in CHF thousands | 2019 | 2018 |
|-----------------------------------|---------------|---------------|
| Investment income | – | 30,846 |
| Royalty income | 5,552 | 4,886 |
| Other operating income | 2,078 | 2,059 |
| Financial income | 3,220 | 2,689 |
| Total income | 10,850 | 40,480 |
| Administration expenses | –529 | –2,119 |
| Personnel expenses | –2,914 | –2,760 |
| Other operating expenses | –1,873 | –1,612 |
| Financial expenses | –3,310 | –2,088 |
| Total expenses | –8,626 | –8,579 |
| Result before income taxes | 2,224 | 31,901 |
| Direct taxes | – | – |
| Result | 2,224 | 31,901 |

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 1.1.2018 | 854 | 8 | 5,209 | 141,757 | –8,695 | 139,133 |
| Result 2018 | | | | 31,901 | | 31,901 |
| Distribution from face value reduction | | | | –13,977 | | –13,977 |
| Change of balance for treasury shares | | | | | –8,943 | –8,943 |
| As at 31.12.2018 | 854 | 8 | 5,209 | 159,681 | –17,638 | 148,114 |
| Result 2019 | | | | 2,224 | | 2,224 |
| Dividend payment, net | | | | –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 |

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

2.1 Accounting policies

Accounting law

The 2019 financial statements were prepared according to the provisions of Swiss law on Accounting and Financial Reporting (32nd title, Swiss Code of Obligations).

Current/non-current distinction

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

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

Foreign currency translation

Transactions in foreign currencies are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising 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 realised 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 recognised 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 recognised on an accrual basis.

Treasury shares

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

Loans

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

Investments

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

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 financial year under review, as in the previous year, the Company did not sell any treasury shares as reported in note 6.10 of the Interroll Group's financial report, but purchased 5,700 shares (2018: 6,000 shares). At the end of 2019, Interroll held 16,559 treasury shares with a carrying amount of CHF 26.7 million (previous year: 11,848 treasury shares with a carrying amount of CHF 17.6 million).

Allocation of treasury shares to employees

989 shares with a market value of CHF 1.8 million were allocated to employees (2018: 1,053 shares with a market value of CHF 1.6 million).

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 8.4 Scope of consolidation).

3.3 Loans to subsidiaries

The interest rates used were the following:

| | lowest | highest |
|------------------|--------|---------|
| In the year 2019 | 0.00% | 3.00% |
| In the year 2018 | 0.00% | 3.89% |

Loans to subsidiaries are normally redeemable with a notice period of three months. At year end, loans of CHF 18.8 million (2018: CHF 44.6 million) were outstanding. Impairments were recognised on loans of CHF 2.8 million in 2019 (previous year: CHF 2.8 million).

In the year under review, of the total CHF 18.8 million in loans (2018: CHF 44.6 million), CHF 8.1 million (2018: CHF 36.2 million) was reported as short-term loans.

3.4 Loans from subsidiaries

The following interest rates were used:

| | lowest | highest |
|------------------|--------|---------|
| In the year 2019 | 1.00% | 3.00% |
| In the year 2018 | 1.00% | 2.75% |

Loans due from subsidiaries are normally redeemable with a notice period of three months. As at year end 2019, 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 | 31.12.2019 | | 31.12.2018 | |
|---|------------------|---------------|------------------|---------------|
| | Number of shares | Interest in % | Number of shares | Interest in % |
| B. Ghisalberty, E. Moreschi and Family | 94,739 | 11.09 | 98,852 | 11.58 |
| D. Specht and Family | 62,045 | 7.27 | 63,745 | 7.46 |
| Groupama Asset Management | 43,726 | 5.12 | 43,726 | 5.12 |
| Allianz Group | 42,697 | 5.00 | 42,697 | 5.00 |
| Kempen Oranje Participaties N.V.* | | 0.00 | 42,481 | 4.97 |
| Stiftung Erlebnispark Fördertechnik GmbH | 36,275 | 4.25 | 36,275 | 4.25 |
| Invesco LTD | 30,065 | 3.52 | 0 | 0.00 |
| Massachusetts Mutual Life Insurance Company | 0 | 0.00 | 26,355 | 3.09 |
| Various other shareholders | 544,453 | 63.75 | 499,869 | 58.53 |
| 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 (2018: CHF 42 million). The credit facility was not utilised on 31 December 2019.

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

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

In the year under review and the previous year there were no retention guarantees in favour 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 57–65).

4.3 Shares held by Group Management

| | Shares as at 31.12. | |
|--------------------------|---------------------|--------|
| | 2019 | 2018 |
| Paul Zumbühl | 21,966 | 21,532 |
| Richard Keely** | 87 | 40 |
| Dr Christoph Reinkemeier | 740 | 719 |
| Daniel Bättig* | 0 | 523 |
| Jens Strüwing** | 5 | 0 |
| Dr Ben Xia | 598 | 482 |
| Jens Karolyi | 144 | 133 |
| Total | 23,540 | 23,429 |

* Left Group Management during financial year 2019.

** Joined Group Management during financial year 2018.

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of 8 May 2020 the appropriation of the available earnings as at the end of the 2019 reporting year as follows:

| in CHF thousands | 2019 | 2018 |
|---|----------------|----------------|
| Result | 2,224 | 31,901 |
| Available earnings carried forward from previous year | 141,171 | 127,781 |
| | 143,395 | 159,682 |
| Distribution of a dividend of | 19,215 | 18,510 |
| to be carried forward | 124,180 | 141,172 |
| | 143,395 | 159,682 |

Proposed dividend payment

The Board of Directors proposes to the Annual General Meeting to pay a dividend of CHF 22.50 per share. A maximum total of CHF 19.2 million would be distributed. In the previous year, a dividend in the amount of CHF 22.00 per share or a maximum of CHF 18.8 million was approved. If this year's dividend proposal is approved, the respective payment will be processed in the second quarter of 2020.



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 31 December 2019, income statement and 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 31 December 2019 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 640,000

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.

The following focus area has been identified as a key audit matter:
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 640,000 |
| 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 32,000 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 105.4 million (82% of total assets) and short- and long-term loans granted to subsidiaries amount to CHF 15.9 million (12% 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 and investments in subsidiaries, if these were not already considered secure based on either an impairment test or positive equity as shown in standalone financial statements prepared in accordance with IFRS. We discussed in detail with management its 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 granted 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 can be found on 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
Revisionsexpertin

Zurich, 5 March 2020

FINANCIAL CALENDAR 2020

| | |
|---|------------|
| Preliminary financial figures 2019 (unaudited) | 20 January |
| Publication Annual Report 2019 and balance sheet press conference | 20 March |
| Annual General Meeting | 8 May |
| Publication Half-Year Report 2020 and web conference (English) | 3 August |

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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