FINANCIAL REPORT OF THE INTERROLL GROUP

FINANCIAL REPORT

1 CONSOLIDATED FINANCIAL STATEMENTS OF THE INTERROLL GROUP

1.1 Consolidated balance sheet

in CHF thousands	see notes*	31.12.2022	in %	31.12.2021	in %
ASSETS					
Property, plant and equipment	6.1	184,228		187,336	
Intangible assets	6.3	26,634		25,521	
Financial assets		902		734	
Deferred tax assets	7.6	9,454		8,776	
Total non-current assets		**221,218**	**40.5**	**222,367**	**41.3**
Inventories	6.5	107,357		129,412	
Current tax assets		1,836		3,587	
Trade and other accounts receivable	6.6	136,140		114,682	
Cash and cash equivalents	6.7	79,305		68,496	
Total current assets		**324,638**	**59.5**	**316,177**	**58.7**
Total assets		**545,856**	**100.0**	**538,544**	**100.0**
EQUITY AND LIABILITIES					
Share capital		854		854	
Share premium		9,673		8,904	
Reserve for own shares		–74,029		–78,208	
Translation reserve		–96,248		–80,595	
Retained earnings		553,943		494,473	
Total equity	6.10	**394,193**	**72.2**	**345,428**	**64.1**
Financial liabilities	6.12	8,218		5,042	
Deferred tax liabilities	7.6	3,867		1,780	
Pension liabilities	6.14	4,087		6,606	
Provisions	6.13	10,448		10,064	
Total non-current liabilities		**26,620**	**4.9**	**23,492**	**4.4**
Financial liabilities	6.12	259		17,360	
Current tax liabilities	7.6	23,167		18,950	
Advances received from customers	6.15	40,323		48,060	
Trade and other accounts payable	6.15	61,294		85,254	
Total current liabilities		**125,043**	**22.9**	**169,624**	**31.5**
Total liabilities		**151,663**	**27.8**	**193,116**	**35.9**
Total liability and shareholder's equity		**545,856**	**100.0**	**538,544**	**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*	2022	in %	2021	in %
Sales	5	**664,409**	**100.0**	**640,063**	**100.0**
Material expenses		–293,944	–44.2	–289,296	–45.2
Personnel expenses	6.14 & 7.1	–165,992	–25.0	–165,957	–25.9
Increase/(decrease) in work in progress, finished products and own goods capitalized		–432	–0.1	13,285	2.1
Other operating expenses	7.3	–78,604	–11.8	–78,857	–12.3
Other operating income	7.4	3,905	0.6	3,242	0.5
Operating result before depreciation and amortization (EBITDA)		**129,342**	**19.5**	**122,480**	**19.1**
Depreciation	6.1	–20,166	–3.1	–19,983	–3.1
Amortization	6.3	–3,961	–0.6	–3,159	–0.5
Operating result (EBIT)		**105,215**	**15.8**	**99,338**	**15.5**
Finance expenses		–4,111	–0.6	–1,083	–0.1
Finance income		3,675	0.6	1,016	0.1
Finance result, net	7.5	**–436**	**–0.0**	**–67**	**–0.0**
Result before income taxes		**104,779**	**15.8**	**99,271**	**15.5**
Income tax expense	7.6	–21,996	–3.3	–18,671	–2.9
Result		**82,783**	**12.5**	**80,600**	**12.6**
Result attributable to:					
– non-controlling interests		–	–	–	
– owners of Interroll Holding AG		**82,783**	**12.5**	**80,600**	**12.6**
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	100.91		98.08	
Diluted earnings (result) per share	6.11	100.91		98.08	
dividend payment		31.00		27.00	

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

1.3 Consolidated statement of comprehensive income

in CHF thousands	see notes*	2022	in %	2021	in %
Result		**82,783**		**80,600**	
Other comprehensive income				–	
Items that will not be reclassified to income statement				–	
Remeasurement of pension liabilities	6.15	2,627		4,111	
Income tax		–538		–808	
Total items that will not be reclassified to income statement		**2,089**		**3,303**	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		–15,653		–6,586	
Income taxes				–	
Total items that in the future may be reclassified subsequently to income statement		**–15,653**		**–6,586**	
Other income		**–13,563**		**–3,283**	
Comprehensive income		**69,220**		**77,317**	
Result attributable to:					
– non–controlling interests		–	–	–	
– owners of Interroll Holding AG		69,220	10.4	77,317	12.1

* 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*	2022	2021
Result		**82,783**	**80,600**
Depreciation, amortization and impairment	6.1 & 6.3	24,127	23,142
Loss/(gain) on disposal of tangible and intangible assets	7.4	–590	–343
Financial result, net	7.5	436	67
Income tax expense	7.6	21,996	18,671
Changes in inventories		18,652	–69,071
Changes in trade and other accounts receivable		–25,637	–9,363
Changes in trade and other accounts payable		–28,642	23,207
Changes in provisions, net	6.13	–1,693	–2,240
Income tax paid		–14,923	–21,869
Personnel expenses on share-based payments	7.1	607	890
Other non-cash expenses/(income)		–5,751	3,600
Cash flow from operating activities		**71,365**	**47,291**
Acquisition of property, plant and equipment	6.1	–20,826	–46,552
Acquisition of intangible assets	6.3	–5,530	–4,589
Acquisition of financial assets		–389	–31
Proceeds from disposal of property, plant and equipment	6.1 & 6.1.1 & 6.3	3,432	2,386
Settlement of loans receivable		183	34
Acquisition of subsidiaries, net of cash acquired	4	–	12
Interest received		946	675
Cash flow from investing activities		**–22,184**	**–48,065**
Dividends paid	1.5	–25,401	–22,267
Purchase of treasury shares		–	–22,501
Sale of treasury shares		4,341	–
Proceeds from financial liabilities		–	18,012
Repayment of financial liabilities		–12,951	–2,741
Interest paid		–505	–274
Cash flow from financing activities		**–34,516**	**–29,771**
Translation adjustments on cash and cash equivalents		–3,856	729
Change in cash and cash equivalents		**10,809**	**–29,816**
Cash and cash equivalents at January 1		68,496	98,312
Cash and cash equivalents at December 31	6.7	**79,305**	**68,496**

* 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 January 1, 2021		**854**	**8,660**	**–56,352**	**–74,009**	**432,837**	**311,990**
Result						**80,600**	**80,600**
Other comprehensive income, net of taxes		**–**	**–**	**–**	**–6,587**	**3,303**	**–3,284**
Total comprehensive income		**–**	**–**	**–**	**–6,587**	**83,903**	**77,317**
Dividend payment, net		–	–	–	–	–22,267	**–22,267**
Share-based payments	7.1	–	244	645	–	–	**889**
Purchase of treasury shares incl. tax effects	6.10	–		–22,501	–	–	**–22,501**
Balance at December 31, 2021		**854**	**8,904**	**–78,208**	**–80,596**	**494,473**	**345,428**
Balance at January 1, 2022		**854**	**8,904**	**–78,208**	**–80,596**	**494,473**	**345,428**
Result		**–**	**–**	**–**		**82,783**	**82,783**
Other comprehensive income, net of taxes		**–**	**–**	**–**	**–15,653**	**2,087**	**–13,564**
Total comprehensive income		**–**	**–**	**–**	**–15,653**	**84,870**	**69,217**
Dividend payment, net	7.1	–	–	–	–	–25,401	**–25,401**
Share-based payments	6.10	–	182	425	–	–	**607**
Sale of treasury shares incl. tax effects	6.10	–	587	3,754	–	–	**4,341**
Balance at December 31, 2022		**854**	**9,673**	**–74,029**	**–96,248**	**553,943**	**394,193**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

General notes on the convention of preparation
The 2022 consolidated financial statements of the Interroll Group are based on the annual financial statements of Interroll Holding AG, Sant'Antonino, and its subsidiaries as of December 31, 2022, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

The Group prepares its Annual Report in accordance with IAS/IFRS, To that end, the Group regularly assesses the effects of adjustments and renewals communicated by the International Accounting Standards Board (IASB). In the year under review, the adoption of new or revised standards and interpretations effective for annual period beginning on or after January 1, 2022, had no significant impact on the consolidated financial statements.

Future changes and amendments to IAS/IFRS standards and interpretations
New and revised standards and interpretations have been adopted by the IASB. However, these will not be applied until January 1, 2023, or later and have not been applied early in these consolidated financial statements. The impact of the introduction/amendment of those standards and interpretations is considered to be rather insignificant.

2.2 Critical accounting estimates and judgements

When preparing the consolidated financial statements, Group Management and the Board of Directors must make estimates and assumptions concerning the future. The resulting accounting estimates have an impact on the Group's assets, liabilities, income and expenses. Additionally, 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 liabilities for current and deferred income taxes and the realization of tax losses carried forward. There are many transactions and calculations made for which the final tax determination is uncertain in the year under review. In case final tax assessments or tax audits of such matters are different from the amounts that were initially recorded, such differences may materially impact income tax expenses of the current period. The assessment of deferred tax assets is done with reference to business plans. Capitalized effects of losses carried forward are subject to annual review. Losses carried forward are only capitalized if they are usable under valid fiscal law in respective countries. The relevant figures are outlined in note 7.6.

b) Recoverable amount of goodwill, patents and licenses
The assessment of the recoverable amount of goodwill and other intangible assets is, by definition, subject to uncertainties regarding expected future cash flows. It requires making adequate assumptions and calculating parameters. 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 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, with the assets, liabilities, income and expenses 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 balance sheet, the consolidated income statement and the consolidated statement of comprehensive income. Accounts payable to, accounts receivable from, income and expenses between the companies included in the scope of consolidation are eliminated. Intercompany profits included in inventories of goods produced are also eliminated.

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

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

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

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

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

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

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

	Income statement (average rates)			Balance sheet (year-end rates)		
	2022	**2021**	Change in %	**31.12.2022**	**31.12.2021**	Change in %
1 EUR	1.002	1.080	–7.2	0.985	1.033	–4.7
1 USD	0.955	0.914	4.5	0.923	0.912	1.2
1 CAD	0.731	0.730	0.2	0.682	0.718	–5.0
1 GBP	1.173	1.258	–6.8	1.110	1.230	–9.7
1 SGD	0.692	0.681	1.7	0.689	0.676	1.8
1 CNY	0.142	0.142	–0.2	0.134	0.144	–6.8
1 JPY	0.007	0.008	–12.3	0.007	0.008	–11.7

Current/non-current distinction
Current assets are assets expected to be realized within one year or consumed in the normal course of the Group's operating cycle, or assets held for trading purposes. All other assets are classified as 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 January 1, 2011. The complete product range is sold in all markets through the respective local sales organizations. The customer groups that are original equipment manufacturers (OEMs), system integrators and end users are provided with tailor-made product offerings and differentiated consulting levels. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semifinished products from the manufacturing units and assemble a wide product range for their local markets. The IPDC, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

Group Management and the Interroll management structure are organized by function (Overall Management, Products & Technology, Global Sales & Solution, Marketing & People Development and Corporate 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 nonfinancial assets, except assets from retirement benefits and assets from deferred taxes, are assessed at least once a year. If indications for an impairment exist, a calculation of the recoverable amount is performed (impairment test). For goodwill, other intangible assets with an indefinite useful lifetime and intangible assets which are not yet available for use, the recoverable amount is calculated regardless of the existence of indications of a decrease in value. If the carrying amount of such an asset or the cash-generating unit to which such an asset belongs exceeds the recoverable amount, an adjustment is recognized through the income statement. Impairments on a cash-generating unit or a group of cash-generating units are first applied to goodwill and thereafter proportionally to the other assets of the unit (or the Group).

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

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

Derivative financial instruments
Derivative financial instruments are stated at fair value.

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

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

2.4 Retained accounting principles: balance sheet items

Property, plant and equipment

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

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

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

Land is not depreciated.

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

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

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

Intangible assets

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

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

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

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

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

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

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 realized in a divestment transaction rather than by being used in the normal course of business. Such assets are actively brought onto the market and should be sold within one year. 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 realizable value. The cost of inventories is calculated using the weighted average method. Production overheads are allocated to inventories on a proportional basis. Slow-moving goods and obsolete stocks are impaired. Intercompany profits included in inventories are eliminated by affecting net result.

Shareholders' equity
Shareholders' equity is categorized as follows:

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

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

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

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

e) Retained earnings
Retained earnings contain undistributed profits.

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

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

2.5 Retained accounting principles: income statement

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

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

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

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

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

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

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

3 RISK MANAGEMENT

3.1 Operational and strategic risk management

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

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

3.2 Financial risk management

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

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

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

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

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

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

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

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

b) Interest rate risk

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

c) Price risk

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

3.3 Capital risk management

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

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

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

in CHF millions, if not noted otherwise	2022	2021
Total assets	545.7	538.5
Net financial assets	70.8	46.1
– Cash	79.3	68.5
– Finance liabilities (bank + leasing)	–8.5	–22.4
Operating cash flow	71.4	47.3
Equity	394.2	345.4
Equity ratio (equity in % of assets)	**72.2**	**64.1**
Result	82.8	80.6
Return on equity (in %)	**22.4**	**24.5**
Non-diluted earnings per registered share (in CHF)	100.91	98.08
Distribution per registered share (in CHF)	32.00	31.00
Payout ratio per registered share (in %)	**33.01**	**32.85**

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 2022
In the financial year 2022 there was no acquisition of subsidiaries or business activities respectively. No change in scope consolidation occurred.

Changes in financial year 2021
In the previous year, the business activities of MITmacher GmbH in Linz (Austria) were purchased by Interroll Holding AG, Switzerland.

Allocation of net assets acquired
The following overview shows in summary paid purchase price for the acquisition as well as the values of the identified assets and liabilities as per acquisition date.

in CHF thousands	2022	2021
	Fair value	Fair value
Property, plant and equipment	–	25
Intangible assets (customer value)	–	8
Acquired Goodwill	–	393
Other receivables	–	138
Inventory	–	–
Trade receivables	–	40
Cash & cash equivalents	–	442
Total assets	**–**	**1,046**
	–	
Financial liabilities	–	101
Trade and other short-term accounts payables	–	429
Current tax liabilities	–	86
Total liabilities	**–**	**615**
Total acquisition costs	**–**	**431**

in CHF thousands	2022	2021
Cash settlement of acquisition	–	431
./. Purchase price retention	–	–442
Net cash flow in acquisition	**–**	**–11**

5 SEGMENT REPORTING

Sales and non-current assets by geographical markets

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

	Sales				Non-current assets			
in CHF thousands	2022	in %	2021	in %	2022	in %	2021	in %
Germany	94,679	14.3	62,686	9.8	102,084	48.4	111,387	52.3
Other EMEA*	288,187	43.4	271,698	42.4	41,155	19.5	37,246	17.5
Total EMEA*	**382,865**	**57.6**	**334,384**	**52.2**	**143,239**	**67.9**	**148,633**	**69.8**
USA	189,960	28.6	182,703	28.5	33,628	16.0	34,172	16.1
Other Americas	31,642	4.8	30,098	4.7	4,247	2.0	1,474	0.7
Total Americas	**221,602**	**33.4**	**212,801**	**33.2**	**37,875**	**18.0**	**35,646**	**16.7**
China	27,540	4.1	43,998	6.9	22,187	10.5	20,705	9.7
Other Asia-Pacific	32,402	4.9	48,881	7.6	7,561	3.6	7,874	3.7
Total Asia-Pacific	**59,942**	**9.0**	**92,879**	**14.5**	**29,748**	**14.1**	**28,579**	**13.4**
Total Group	**664,409**	**100.0**	**640,063**	**100.0**	**210,862**	**100.0**	**212,858**	**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 around 18,000 active customers. No customer accounts for more than 10% of Group sales.

Sales by product group

in CHF thousands	2022	in %	2021	in %
Rollers	126,469	19.0%	134,586	21.0
Drives	211,839	31.9%	191,636	29.9
Conveyors & Sorters	263,503	39.7%	254,035	39.7
Pallet Handling	62,599	9.4%	59,806	9.3
Total Group	**664,409**	**100.0%**	**640,063**	**100.0**

Timing of revenue recognition

Orders are recognized at a point in time with one exception. The exception concerns one minor maintenance contract in Singapore which is recognized over time. Most of the service business are Ad Hoc orders, for instance overhauling of drum motors. Such services are charged to the customer based on an hourly rate and are invoiced at a point in time.

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Property, plant & equipment

Movements of property plant & equipment

	Land & building		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		**Total**	
in CHF thousands	**2022**	**2021**	**2022**	**2021**	**2021**	**2021**	**2022**	**2021**	**2022**	**2021**
COSTS										
At 1.1.	**181,213**	**141,367**	**129,664**	**125,086**	**15,048**	**14,264**	**21,871**	**35,884**	**347,796**	**316,601**
Currency translation adj.	–7,222	–4,658	–3,667	–2,018	–627	–448	–606	–226	**–12,122**	**–7,350**
Additions	9,030	5,249	4,651	4,399	2,724	3,052	10,574	35,581	**26,979**	**48,281**
Disposals	–5,593	–2,003	–3,764	–3,463	–799	–1,828	–23	–	**–10,179**	**–7,294**
Reclassifications	15,187	41,258	4,295	5,651	49	–30	–19,953	–49,368	**–422**	**–2,489**
Acquisition	–	–	–	8	–	38	–		**–**	**46**
At 31.12.	**192,615**	**181,213**	**131,179**	**129,663**	**16,395**	**15,048**	**11,863**	**21,871**	**352,052**	**347,795**
ACCUMULATED DEPRECIATION & IMPAIRMENTS										
At 1.1.	**(61,426)**	**(55,339)**	**(88,955)**	**(86,223)**	**(10,078)**	**(9,808)**			**(160,459)**	**(151,370)**
Currency translation adj.	2,128	1,394	2,526	1,514	403	268			**5,057**	**3,176**
Depreciation	–8,255	–7,925	–9,504	–9,729	–2,407	–2,329			**–20,166**	**–19,983**
Acquisition				–3		–17				**–20**
Disposals	2,910	442	3,516	3,204	736	1,604			**7,162**	**5,250**
Reclassifications	–	2	582	2,282	–	204			**582**	**2,488**
At 31.12.	**–64,643**	**–61,426**	**–91,835**	**–88,955**	**–11,346**	**–10,078**			**–167,824**	**–160,459**
Property, plant & equipment at 31.12.	**127,972**	**119,787**	**39,344**	**40,708**	**5,049**	**4,970**	**11,863**	**21,871**	**184,228**	**187,336**
Capital commitments	55	8	718	4,014	–	–			**773**	**4,022**
Insurance value*	189,318	168,159	151,421	141,152	–	–			**340,739**	**309,311**

* 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 (IFRS 16)

Lease assets

in CHF thousands	31.12.2022	31.12.2021
Carrying amount of lease assets	**9,568**	**6,865**
of which		
– Land & building	8,746	6,018
– Production equipment & machinery	225	398
– Office equipment & motor vehicles	597	449
Additions to lease assets	**5,849**	**1,583**

Income statement

in CHF thousands	2022	2021
Depreciation of lease assets	**2,189**	**2,916**
of which		
– Land & building	1,805	2,425
– Production equipment & machinery	78	181
– Office equipment & motor vehicles	306	310
Interest on lease liabilities	**215**	**243**
Variable lease payments	**–**	**–**

Cash flow statement

in CHF thousands	2022	2021
Total cash outflow for leases	**1,854**	**2,741**

Lease liabilities by duration

in CHF thousands	31.12.2022	31.12.2021
Lease payments due within 6 months	1,177	1,404
Lease payments due within 7–12 months	1,564	1,404
Lease payments due within 1–5 years	3,984	3,033
Lease payments due after 5 years	2,822	11
Lease payment	**9,547**	**5,852**

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

	Goodwill		Software		Patents, technology and licenses		Customer relationships		Total	
in thousands CHF	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
COSTS										
At 1.1.	**19,870**	**19,494**	**51,042**	**47,403**	**12,779**	**13,377**	**20,426**	**21,032**	**104,117**	**101,306**
Currency translation adj.	–392	–17	–165	–151	–598	–583	–891	–604	**–2,047**	**–1,355**
Additions	–	–	5,530	4,589	–	–	–	–	**5,530**	**4,589**
Disposals	–	–	–18	–741	–	–	–	–	**–18**	**–741**
Acquisition	–	393	–	10	–	–	–	–	**–**	**403**
Reclassifications	–	–	–	–68	–22	–15	22	–2	**–**	**–85**
At 31.12.	**19,478**	**19,870**	**56,388**	**51,042**	**12,159**	**12,779**	**19,557**	**20,426**	**107,582**	**104,117**
ACCUMULATED AMORTIZATION & IMPAIRMENTS										
At 1.1.	**–3,126**	**–3,126**	**(42,781)**	**–40,722**	**(12,574)**	**–13,097**	**–20,115**	**–20,617**	**(78,596)**	**–77,562**
Currency translation adj.	–	–	127	109	590	573	878	618	**1,595**	**1,300**
Amortization	–	–	(3,784)	–2,975	–58	–65	–119	–119	**–3,961**	**–3,159**
Acquisition	–	–	–	–2	–	–	–	–	**–**	**–2**
Disposals	–	–	14	741	–	–	–	1	**14**	**742**
Reclassifications	–	–	–	68	22	15	–22	2	**–**	**85**
At 31.12.	**–3,126**	**–3,126**	**(46,424)**	**–42,781**	**–12,020**	**–12,574**	**–19,378**	**–20,115**	**–80,948**	**–78,596**
Total intangible assets, net at 31.12.	**16,352**	**16,744**	**9,964**	**8,261**	**139**	**205**	**179**	**311**	**26,634**	**25,521**

Goodwill impairment tests

The impairment tests are generally based on a three-year plan and are prepared on the basis of discounted future free cash flows (before taxes) (value in use). The growth rate is defined as a key assumption. No further growth was taken into account in extrapolating the data. The current medium-term planning assumes more expansion investments. Free cash flows were discounted at a pretax discount rate of 10.2% in the year under review (previous year: 8.9%), which reflects the market risk premium. The cash-generating unit (CGU) equals the Interroll Group. 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 46.7 million (2021: CHF 43.9 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 2.2 million (previous year: CHF 2.4 million). Amortization begins from the go-live date and ends after eight years.

In 2022, the technology platform for spend management Coupa went live and at the production site in Hiram (USA) the technical conditions for replacement of the old ERP system by SAP in the course of 2023 was created. In the previous year the local assembly in Brazil went live on SAP, process management for project-related execution of orders was further enhanced and supply chain-related processes were optimized.

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

Customer relationships
Customer relationships are amortized on a straight-line basis over ten years unless the life cycle is shorter. In the year under review no new customer relationships were bought, nor were existing customer relationships assets depreciated ahead of time.

6.4 Assets pledged or assigned
There were no pledged assets neither in the year under review nor in the previous year.

6.5 Inventories

Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2022	31.12.2021
Raw materials	98,937	108,945
Work in progress	20,826	20,423
Finished products	3,683	7,744
Valuation allowance	–16,089	–7,700
Total inventory, net	**107,357**	**129,412**

Development of valuation allowance on inventory

in CHF thousands	2022	2021
Balance as per 1.1.	**–7,700**	**–8,445**
Currency translation adjustment	439	35
Additions	–10,171	–1,248
Reductions	1,343	1,958
Total valuation allowance on inventory as per 31.12.	**–16,089**	**–7,700**

To face supply chain-related issues and to maintain the ability to guarantee reasonable delivery times towards Interroll customers, raw material stocks were significantly increased during the second half of 2021. Some of these stored raw materials later on showed no or slow turnover rates and therefore were value adjusted.

6.6 Trade and other receivables

Detailed overview of trade and other accounts receivable

Trade accounts receivable arise from deliveries and services relating to the Group's operating activities. VAT, withholding tax and other current receivables are included in other accounts receivable. The other accounts receivable are analyzed for valuation adjustment like trade receivables. There was no valuation adjustment necessary on other accounts receivable neither in the year under review nor in the previous year.

in CHF thousands	31.12.2022	31.12.2021
Trade accounts receivable from goods and services	122,127	106,438
Valuation allowance	–10,015	–9,950
Total trade accounts receivable, net	**112,112**	**96,488**
Prepaid expenses and accrued income	6,175	6,074
Prepayments for inventories	5,261	4,503
Other accounts receivable	11,308	7,774
Forward exchange dealing	1,284	–157
Total other accounts receivable	**24,028**	**18,194**
Total trade and other accounts receivable, net	**136,140**	**114,682**

Aging and valuation allowances of trade accounts receivable

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

in CHF thousands				31.12.2022				31.12.2021
	Gross	Valuation allowance		**Net**	Gross	Valuation allowance		**Net**
		individual	collective			individual	collective	
Not past due	69,136	–	–	**69,136**	69,351	–14	–	**69,337**
Past due 1–30 days	20,184	–	–	**20,184**	12,382	–2	–	**12,380**
Past due 31–60 days	9,859	–15	–	**9,844**	6,342	–6	–	**6,336**
Past due 61–90 days	5,354	–2	–	**5,352**	5,430	–	–	**5,430**
Past due > 90 days	17,594	(9,594)	(404)	**7,596**	12,933	–9,504	–424	**3,005**
Total trade accounts receivable	**122,127**	**(9,611)**	**(404)**	**112,112**	**106,438**	**–9,526**	**–424**	**96,488**

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	2022			2021		
		Valuation allowance			Valuation allowance	
	Total	individual	collective	**Total**	individual	collective
At 1.1.	**–9,950**	**–9,526**	**–424**	**–11,228**	**–10,785**	**–443**
Currency translation adjustment	355	335	20	–212	–231	19
Additions	–3,165	–3,165		–3,888	–3,888	–
Allowance used	130	130		264	264	–
Allowance reversed	2,615	2,615		5,114	5,114	–
At 31.12.	**–10,015**	**–9,611**	**–404**	**–9,950**	**–9,526**	**–424**

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

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

in CHF thousands	**31.12.2022**	in %	**31.12.2021**	in %
EUR	55,441	45.4	48,092	45.2
USD	40,709	33.3	27,346	25.7
CNY	4,814	3.9	10,235	9.6
THB	2,346	1.9	2,465	2.3
DKK	3,482	2.9	2,571	2.4
all other currencies	15,335	12.6	15,729	14.8
Total trade accounts receivable, gross	**122,127**	**100.0**	**106,438**	**100.0**

Regional breakdown of trade accounts receivable
Trade accounts receivable can be broken down into the following geographical areas:

in CHF thousands	**31.12.2022**	in %	**31.12.2021**	in %
Europe, Middle East, Africa	66,543	54.5	55,727	52.4
Americas	44,849	36.7	30,220	28.3
Asia-Pacific	10,735	8.8	20,491	19.3
Total trade accounts receivable, gross	**122,127**	**100.0**	**106,438**	**100.0**

On average, trade accounts receivable are outstanding for 58 days (DSO). The respective values are 54 for Europe, 66 for the Americas and 37 for Asia. In the previous year, the DSO was 46 for the Group, 45 for Europe, 61 for the Americas and 26 for Asia.

6.7 Cash and cash equivalents

Items included in cash and cash equivalents

in CHF thousands	31.12.2022	31.12.2021
Cash on hand, bank and postal accounts	64,298	53,528
Current deposits	15,007	14,968
Total cash and cash equivalents	**79,305**	**68,496**

Interest rates of cash and cash equivalents

Interest rates on cash and cash equivalents vary between 0% (CHF) and 3% (BRL). The respective rates for the previous year were 0% (CHF) and 3% (BRL).

Currencies held in cash and cash equivalents

in %	31.12.2022	31.12.2021
EUR	26.0	11.0
CHF	1.0	1.0
CNY	34.0	39.0
USD	13.0	15.0
THB	2.0	1.0
JPY	1.0	–
KRW	9.0	21.0
BRL	1.0	1.0
ZAR	1.0	–
Other currencies	12.0	11.0
Total cash and cash equivalents	**100.0**	**100.0**

Transfer limitations on cash and cash equivalents

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

6.8 Financial instruments

Reconciliation from balance sheet items to valuation categories as per IFRS 9
The table below shows an overview of financial instruments held by valuation category according to IFRS 9:

in CHF thousands	31.12.2022	31.12.2021
Cash and cash equivalents	79,305	68,496
Trade and other accounts receivable without advances and foreign currency forward contracts	129,595	110,179
Financial assets	902	734
Total financial assets at amortized cost	**209,802**	**179,409**
Foreign currency forward contracts*	1,284	–157
Total financial instruments at fair value	**1,284**	**–157**
Trade and other accounts payable	80,401	100,426
Financial liabilities (incl. bank overdrafts)	8,477	22,402
Total financial liabilities at carrying value	**88,878**	**122,828**

* see notes 6.9

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

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

6.9 Financial risks

Currency risk exposure

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

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

in CHF thousands					31.12.2022					31.12.2021
	EUR	CHF	USD	SGD	CNY	EUR	CHF	USD	SGD	CNY
Financial assets	3	75	–	–	–	3	75	–24	–	–
Trade and other accounts receivable	8,421	297	9,794	40	506	12,410	416	9,608	131	945
Cash and cash equivalents incl. intercompany loans	7,733	15,085	26,170	–	46	5,777	19,096	2,540	–	22
Financial liabilities	–	–	1,569	–	–	–	–	695	–	–
Trade and other accounts payable	12,138	16,110	2,607	–	2,340	14,624	8,982	3,882	–	3,059
Current liabilities	829	10,557	122	1,033	–	1,453	10,000	646	1,352	–
Currency risks on the balance sheet (gross)	**29,124**	**42,124**	**40,262**	**1,073**	**2,892**	**34,267**	**38,569**	**17,347**	**1,483**	**4,026**
Elimination same currency	–25,934	–30,914	–8,596	–82	–1,104	–20,881	–28,459	–10,407	–	–88
Currency risks on the balance sheet (net)	**3,190**	**11,210**	**31,666**	**991**	**1,788**	**13,386**	**10,110**	**6,940**	**1,483**	**3,938**
Natural hedges	–1,613	–1,369	–	–60	–631	–2,374	–822	–	–48	–923
FX forward contracts	–4,582	–13,472	–21,052	–972	–530	–1,148	–3,688	–4,443	–979	–1,430
Net currency risk exposure	**–3,005**	**–3,631**	**10,614**	**–41**	**627**	**9,864**	**5,600**	**2,497**	**456**	**1,585**

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

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

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

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

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

in CHF thousands	31.12.2022				31.12.2021		
Hedged currency	Sell/buy	Maturity	Notional amount in CHF	Fair value	Sell/buy	Notional amount in CHF	Fair value
EUR	EUR/CNY	Feb 23	1,297	–67			
EUR	EUR/TRY				EUR/TRY	530	–120
EUR	GBP/EUR	Feb 23	1,249	18			
EUR	EUR/CZK	Feb 23	878	25			
EUR	EUR/PLN	Feb 23	1,158	62			
EUR	EUR/SGD				EUR/SGD	619	–14
CHF	USD/CHF	Feb 23	1,052	65	USD/CHF	1,628	19
CHF	EUR/CHF	Feb 23	12,420	–162	CHF/EUR	3,688	–103
USD	USD/EUR	Feb 23	18,787	1,398	EUR/USD	2,815	–57
USD	MEX/USD	Feb 23	717	–27			
USD	USD/CNY	Feb 23	514	15			
USD	USD/CAD	Feb 23	1,034	16			
SGD	SGD/CHF	Jan 23	972	8	SGD/CHF	1,347	4
CAD	CHF/CAD	Jan 23	2,980	20	CHF/CAD	2,855	28
CNY	CNY/AUD				CNY/AUD	1,430	48
CNY	KRW/CNY	Feb 23	530	–48			
AUD	AUD/CHF	Jan 23	2,133	42	AUD/CHF	1,967	20
CZK	CHF/CZK	Jan 23	3,107	30	CHF/CZK	2,675	29
GBP	CHF/GBP	Jan 23	2,926	–29	GBP/CHF	2,685	28
KRW	CHF/KRW	Mar 23	2,142	15			
PLN	CHF/PLN	Jan 23	1,233	14	CHF/PLN	851	7
THB	THB/CHF	Feb 23	3,167	–94	THB/CHF	3,063	–2
THB	THB/EUR	Feb 23	1,475	–25	THB/EUR	1,386	–44
ZAR	ZAR/EUR	Feb 23	710	8			
Total derivative financial instruments				1,284			–157

Sensitivity analysis of currency risk exposure

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

in CHF thousands			31.12.2022			31.12.2021
Currency pair	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial assets	75	–	–	75	–	–
Trade and other receivables	–4,167	574	573	–	359	156
Cash and cash equiv. incl. IC-loans	14,944	3	631	19,077	111	656
Trade and other payables	5,192	–970	51	1,130	–	–
Current liabilities	10,557	–	–	10,000	–	–
Gross exposure per currency pair	**26,600**	**–394**	**1,256**	**30,282**	**470**	**812**
Risks opposing each other	–21,703	1,940	–102	–26,168	3,360	1,900
FX forward contracts	–12,420	–1,052	–1,034	3,688	1,628	–
Net FX exposure per currency pair	**–7,523**	**495**	**119**	**7,802**	**5,458**	**2,712**
Currency change in %	5	1	6	1	2	7
Effect on the result (+/-)	**370**	**6**	**8**	**62**	**120**	**193**
Income tax expense at 19.6% (previous year: 17.5%)	–73	–1	–1	–11	–21	–34
Net FX exposure after income taxes	**297**	**5**	**6**	**51**	**99**	**159**

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

Interest rate risks
As at the balance sheet date, the Interroll Group held net financial assets of CHF 15.0 million (previous year: CHF 15.0 million, see also note 6.12). These comprise CHF 15.6 million (previous year: CHF 15.7 million) in financial assets, of which CHF 0.6 million (previous year: CHF 0.7 million) are non-interest-bearing. In the year under review no bank loans are reported (previous year: CHF 17.1 million). The portion of non-interest-bearing financial assets was immaterial in both years under review.

The following table divides interest-bearing assets and liabilities into fixed and variable and also shows non-interest-bearing positions within financial assets and liabilities. A change of the interest rate would have had no effect onto the equity because the Group currently does not hold any cash flow hedges to hedge currency risks and because there are no assets held for sale at a fixed interest rate. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in CHF thousands				31.12.2022				31.12.2021
	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	0.4–3.0	2,873			0.1–3.0	14,889	–	–
Variable interest rate	2.0–2.6	12,134	121	–121	0.4–2.5	79	1	–1
Not-interest-bearing	–	580			–	733	–	–
Total deposits		**15,587**	**121**	**–121**		**15,701**	**1**	**–1**
Cash on hand, bank and postal accounts		64,298				53,528	–	–
Trade and other receivables w/o advance payments		130,879				110,179	–	–
Total other financial assets		**195,177**	**–**	**–**		**163,707**	**–**	**–**
Total financial assets		**210,764**	**121**	**–121**		**179,408**	**1**	**–1**
FINANCIAL LIABILITIES								
Fixed interest rate		–	–	–	0.5	17,135	–	–
Total bank loans		**–**	**–**	**–**		**17,135**	**–**	**–**
Bank overdrafts		–	–	–		98	–	–
Trade and other accounts payable		80,401				100,583	–	–
Financial liabilities		8,477				22,304	–	–
Total trade and other accounts payable		**88,878**	**–**	**–**		**122,985**	**–**	**–**
Total financial liabilities		**88,878**	**–**	**–**		**140,120**	**–**	**–**
Net financial liabilities		**121,886**	**121**	**–121**		**39,288**	**1**	**–1**

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 0.12 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 (rounded CHF 0.00 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 67.4 million (2021: CHF 50.8 million).

Committed credit limits amounted to CHF 40.0 million, of which CHF 40.0 million were extended for a further three years in 2021 under the same terms. They safeguard funding of the future investment program and generally serve to finance the business. The Group has always complied with the agreed debt covenants, which are as follows:

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

The aging of the financial liabilities is disclosed in note 6.12 (see "Aging of financial liabilities").

6.10 Information on shareholder's equity

Reconciliation from total issued shares to the outstanding shares

	2022	2021
Issued shares par value CHF 1.00 each	**854,000**	**854,000**
Own shares held by the Group as per 1.1.	**34,794**	**28,620**
Purchase of own shares		6,500
Attribution of shares relating to bonus plan	–184	–326
Sales of shares	–1,675	–
Treasury shares held by the Group as per 31.12.	**32,935**	**34,794**
thereof unreserved	32,935	34,794
Shares outstanding as per 31.12.	**821,065**	**819,206**

6.11 Earnings per share

Undiluted earnings per share
The undiluted earnings per share in 2022 amount to CHF 100.91 (previous year: CHF 98.08). The calculation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding.

	2022	2021
Result attributable to the equity holders (in CHF thousands)	**82,783**	**80,600**
Shares outstanding as per 1.1.	**819,206**	**825,380**
Effect of the purchase of treasury shares	–	–3,871
Effect of the sale/attribution of treasury shares	1,163	291
Weighted average of shares outstanding as per 31.12.	**820,369**	**821,800**
Undiluted earnings per share (in CHF)	**100.91**	**98.08**

Diluted earnings per share

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

	2022	2021
Result attributable to the equity holders (in CHF thousands)	**82,783**	**80,600**
Weighted average of shares outstanding (diluted)	**820,369**	**821,800**
Diluted earnings per share (in CHF)	**100.91**	**98.08**

6.12 Financial liabilities

Details of current and non-current financial liabilities

in CHF thousands	31.12.2022	31.12.2021
Bank overdrafts	–	98
Bank loans	–	17,135
Lease liabilities (finance + operating)	259	127
Total current financial liabilities	**259**	**17,360**
Lease liabilities (finance + operating)	8,218	5,042
Total non-current financial liabilities	**8,218**	**5,042**
Total financial liabilities	**8,477**	**22,402**

Net financial liabilities to equity ratio

in CHF thousands	31.12.2022	31.12.2021
Total financial liabilities	8,477	22,402
./. Cash and cash equivalents	–79,305	–68,496
Net financial liabilities (-net cash)	**–70,828**	**–46,094**
Equity	**394,193**	**345,428**
Net financial debt in % of the equity	**n/a**	**n/a**

Loan structure

in CHF thousands					2022		2021	
	Currency	Weighted av. interest rate	Interest due fixed/variable	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Bank loans	CHF/EUR	0.50 %	fix	2022	–	–	17,135	17,135
Total loans					**–**	**–**	**17,135**	**17,135**

Maturities of financial liabilities.

The financial liabilities as at December 31, 2022, are due as follows:

in CHF thousands	Carrying amount	Face value (undis-counted)	within 6 months	within 7–12 months	within 1–5 years	> 5 years
Bank loans	–	–	–	–	–	–
Other loans	–	–	–	–	–	–
Bank overdrafts	–	–	–	–	–	–
Trade/other accounts payable*	80,401	80,401	80,401	–	–	–
Lease liabilities	8,477	9,547	1,177	1,564	3,984	2,822
Total financial liabilities	**88,878**	**89,948**	**81,578**	**1,564**	**3,984**	**2,822**

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

The financial liabilities as at December 31, 2021, are due as follows:

in CHF thousands	Carrying amount	Face value (undis-counted)	within 6 months	within 7–12 months	within 1–5 years	> 5 years
Other loans	17,135	17,135		17,135		
Bank overdrafts	98	98	98			
Trade/other accounts payable*	100,583	100,583	100,583			
Lease liabilities	5,169	5,289		2,568	2,710	11
Total financial liabilities	**122,985**	**123,105**	**100,681**	**19,703**	**2,710**	**11**

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

6.13 Provisions

Movements in provisions

	Warranties		Other provisions		Total	
in CHF thousands	2022	2021	2022	2021	2022	2021
At 1.1.	**9,197**	**8,784**	**867**	**766**	**10,064**	**9,550**
Currency translation adjustments	–341	–10	–99	–55	–440	**–65**
Provisions made	4,002	4,006	1,166	2,005	5,168	**6,011**
Provisions used	–2,482	–1,848	–140	–218	–2,622	**–2,066**
Provisions reversed	–1,483	–1,735	–239	–1,631	–1,722	**–3,366**
At 31.12.	**8,893**	**9,197**	**1,555**	**867**	**10,448**	**10,064**

Warranty provisions
The Group companies normally grant a 24-month warranty. The warranty provision is recognized on the basis of past experience as well as on existing warranty claims for specific projects. The warranty provision is about 1.34% (previous year: 1.44%) of sales.

Other provisions
The other provisions mainly include provisions for litigation.

6.14 Employee benefits

The employee benefits recognized in the income statement for 2022 amounted to CHF 2.6 million (previous year: CHF 3.5 million). Pension costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans and other long-term employee benefits.

The pension plans in Switzerland and France are classified as defined benefit plans under IAS 19. In 2022, 214 people participated in these defined benefit plans; in the previous year, the number was 218. The Swiss plan is fully incorporated under a collective foundation. The French plan is funded by insurance. For the defined benefit plans, the pension costs in each period are calculated on the basis of an actuarial valuation. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset on the balance sheet. Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and actual developments. They are recognized in the statement of comprehensive income. It can be assumed that the assets of both plans do not include Interroll shares.

Components of defined benefit cost

in CHF thousands	2022	2021
Costs of the defined contribution plans	**2,263**	**1,501**
Past service costs incl. curtailment	–548	1,049
Result from non-routine settlements	0	–424
Current service costs, net	857	1,309
Administrative expenses	25	30
Interest costs	35	20
Costs of the defined benefit plans	**369**	**1,984**
Effects of changes in demographic assumptions	–	–985
Effects of changes in financial assumptions	–3,737	–290
Effects of experience assumptions	–685	–1,040
Result on plan assets (excl. interest income)	1,795	–1,796
Remeasurements included in other income	**–2,627**	**–4,111**
Defined benefit costs	**5**	**–626**

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

Amounts recognized in the statement of financial position

in CHF thousands, per 31.12.	2022	2021
Present value of defined benefit obligation	–13,425	–17,715
Fair value of plan assets	9,735	11,109
Long-term employee benefits	–397	–
Pension liability	**-4,087**	**–6,606**

Roll forward of the defined benefit obligation

in CHF thousands	2022	2021
Benefit obligation as per 1.1.	**–17,715**	**–33,557**
Past service costs incl. curtailment	548	–1,049
Current service costs, net	–857	–1,309
Interest costs	–145	–58
Contributions from employees	–599	–494
Benefits (funded)/paid, net	860	10,863
Benefits (funded)/paid, net from employer	42	49
Translation difference	19	39
Liabilities extinguished on settlement	0	5,486
Remeasurements		
– Effects of changes in demographic assumptions	0	985
– Effects of changes in financial assumptions	3,737	290
– Effects of experience assumptions	685	1,040
Benefit obligation as per 31.12.	**–13,425**	**–17,715**

Roll forward of the present value of plan assets

in CHF thousands	2022	2021
Fair value of plan assets as per 1.1.	**11,109**	**24,095**
Administrative expenses	–25	–30
Interest income	110	38
Employer contributions	599	645
Employee contributions	599	494
Assets distributed on settlements	0	–5,062
Benefits (funded)/paid, net	–860	–10,863
Translation difference	–2	–4
Result of plan assets	–1,795	1,796
Fair value of plan assets as per 31.12.	**9,735**	**11,109**

Investment categories

in CHF thousands, per 31.12.	2022	2021
Equities (quoted market prices)	2,875	2,594
Bonds (quoted market prices)	2,503	4,143
Real estate (other than quoted market prices)	1,576	657
Real estate (direct investments)	742	1,607
Alternative investments (quoted market prices)	1,483	1,134
Qualified insurance policies*	463	734
Cash	93	240
Total investments	**9,735**	**11,109**

* These assets are fully invested by the collective foundation of the pension fund insurer in qualified insurance policies with the pension fund insurer (SwissLife).

Net defined benefit liability (asset) reconciliation

in CHF thousands	2022	2021
Net defined benefit liability as per 1.1.	**–6,606**	**–9,462**
Defined benefit costs included in P/L	–369	–1,984
Total remeasurements included in OCI	2,627	4,111
Employer contributions	641	694
Other long-term employee benefits	–397	–
Translation difference	17	35
Net defined benefit liability as per 31.12.	**-4,087**	**–6,606**

Actuarial assumptions

in %	2022	2021
Discount rate	2.3	0.3
Future salary increases	2.0	1.1
Expected benefit increases	0.0	0.0
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2020	BVG 2020
Weighted modified duration in years	17.0	20.4

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

Discount rate	**2.31%**	**+0.25%**	**−0.25%**
Benefit obligation	−13,425	−12,862	−14,023

Rate of salary increase	**2.02%**	**+0.25%**	**−0.25%**
Benefit obligation	−13,425	−13,502	−13,346

Sensitivities are based on possible changes that are likely as at the end of 2022.

6.15 Trade and other accounts payable, accrued expenses

in CHF thousands	**31.12.2022**	**31.12.2021**
Trade accounts payable to third parties	22,235	38,550
Total trade accounts payable	**22,235**	**38,550**
Other liabilities	17,843	13,973
Advances received from customers	40,323	48,060
Total other accounts payable	**58,166**	**62,033**
Accrued personnel expenses	8,957	9,932
Accrued interest	5	5
Other accrued expenses	12,258	22,795
Total accrued expenses	**21,220**	**32,732**
Total trade and other accounts payable, accrued expenses	**101,621**	**133,315**

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

Advance payments received from customers correspond to the contractual liabilities according to IFRS 15.116(a).
Sales are realized following the final approval of the respective project.
The major part of advances received from customers existing at the beginning of 2022 were recognized as revenue during the period under review. Due to supply chain issues a few customers (system integrators) had to postpone some projects into the next year.

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

in CHF thousands	**2022**	**2021**
Opening balance of advances received from customers as per 1.1.	**48,060**	**41,918**
– Revenue recognized that was included in the advances received from customers’ balances at the beginning of the period	−40,345	−39,590
– Increases due to cash received, excl. amounts recognized as revenue during the period	33,267	45,738
Currency translation adj.	−659	−6
Closing balance of advances received from customers as per 31.12.	**40,323**	**48,060**

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details of personnel expenses and number of employees

in CHF thousands	2022	2021
Wages and salaries	137,032	136,217
Social security costs	20,675	21,115
Pension costs (see note 6.14)	2,632	3,485
Other personnel-related costs	5,046	4,251
Equity-based personnel expenses to management personnel	607	889
Total personnel expenses	**165,992**	**165,957**
Thereof production-related personnel expenses	76,822	77,204
Average number of employees	2,500	2,421

In the year under review, a total of 189 treasury shares (previous year: 326) were allocated to senior employees under bonus plans, of which 184 shares (previous year: 321 shares) are subject to a sales restriction of four 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. They are included in personnel and other operational expenses as well as in depreciation of fixed tangible assets. No expenses have been capitalized as the preconditions stated in IAS 38 are not met cumulatively.

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

in CHF thousands	2022	2021
Research and development (R&D) expenditures	11,228	12,182
R&D in % of sales	1.69	1.90

7.3 Other operating expenses

in CHF thousands	2022	2021
Production-related expenses	13,108	14,368
Freight	16,649	19,761
Office, administration and IT services	13,619	11,258
Building costs	5,820	5,682
Traveling and transportation	6,715	4,639
Marketing	5,760	5,074
Consultancy, auditing and insurance	7,735	9,343
Provisions and allowances, net	–1,858	1,944
Variable sales costs	3,285	275
Non-income taxes	2,883	2,746
Other expenses and services	4,888	3,767
Total other operating expenses	**78,604**	**78,857**

7.4 Other operating income

in CHF thousands	2022	2021
Income from freight and packing	2,406	2,206
Income from services	228	152
Government grants received	681	541
Gain on disposal of tangible and intangible assets	590	343
Total other operating income	**3,905**	**3,242**

7.5 Financial result

in CHF thousands	2022	2021
Realized translation losses	–	–805
Realized translation expenses	–3,674	–
Interest expenses	–437	–278
Financial expenses	**–4,111**	**–1,083**
Realized translation result, net	–	166
Realized translation losses	1,279	–
Fair value changes of foreign currency forward contracts	1,441	170
Interest income	955	680
Financial income	**3,675**	**1,016**
Financial result, net	**–436**	**–67**

7.6 Income tax expense

Components of income tax expense

in CHF thousands	2022	2021
Income taxes relating to the current period	21,456	21,827
Income taxes relating to past periods, net	–233	–1,939
Current income tax expense	**21,223**	**19,888**
Due to temporary differences	1,404	–1,086
Due to tax rate changes	5	–249
Due to (recognition)/use of tax loss carryforwards	–696	10
Adjustments to deferred tax assets		109
Other effects (including acquisition)	60	–1
Deferred income tax expense/(income)	**773**	**–1,217**
Total income tax expense	**21,996**	**18,671**

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

Deferred tax liabilities of CHF 1.4 million (previous year: CHF 1.0 million) have not been recognized for withholding and other taxes on the un-remitted 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	2022	2021
Result before income taxes	**104,779**	**99,271**
Income tax expense at the expected tax rate of 19.6% (previous year: 17.5%)	20,495	17,382
(Tax credits)/tax charges on prior years' results, net	–233	–1,939
Effect from deviation to tax rates in Group companies	491	11,882
Tax rate changes, net	–662	–249
(Non-taxable income)/non-tax deductible expenses, net	2,249	–8,595
(use of unrecognized tax losses)/effect of unrecognized tax losses on the current year's result, net	–380	81
(Reversal of)/write offs on deferred tax assets, net	36	109
Effective (total) income tax expense	**21,996**	**18,671**

The income tax expense analysis is based on the weighted average of the expected tax rates within the Interroll Group.

Tax effects on and expiry dates of carried forward losses

in CHF thousands	2022		2021	
	not activated	activated	not activated	activated
Expiry:				
Expiry within 12 months	69	–	–	–
Expiry in 1–2 years	140	–	221	–
Expiry in 2–3 years	53	–	159	–
Expiry in 3–4 years	1,194	–	60	419
Expiry in 4–5 years	392	–	1,031	–
Expiry in 5–6 years	–	–	–	–
Expiry in 6–7 years	201	663	–	–
Expiry in more than 7 years	1,559	2,819	4,400	–
Total	**3,608**	**3,481**	**5,871**	**419**
Tax benefit	939	696	1,441	84
Thereof unrecognizable	–939	–	–1,441	–
Deferred tax assets from carried forward losses	**–**	**696**	**–**	**84**

New loss carryforwards of CHF 0.7 million resulted in a potential tax credit of CHF 0.1 million in 2022. In the period under review, tax assets of CHF 0.7 million were capitalized. In the previous year, new loss carryforwards of CHF 1.4 million resulted in a potential tax credit of CHF 0.3 million.

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

Attribution of deferred tax assets/liabilities to balance sheet items

in CHF thousands	31.12.2022		31.12.2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	113	185	2,789	231
Property, plant and equipment	1,686	5,015	1,879	3,943
Financial assets	873	65	–	2,767
Inventory	5,290	495	3,501	303
Benefits of loss carryforwards	696	–	84	–
Receivables	395	332	636	136
Total assets	**9,054**	**6,092**	**8,889**	**7,380**
Non-current debts	1,420	–	1,238	–
Provisions	2,312	1,550	4,329	2,327
Current debts	382	15	2,232	477
Other liabilities	79	1	502	10
Total liabilities	**4,193**	**1,567**	**8,301**	**2,814**
Set-off	–3,792	–3,792	–8,414	–8,414
Total net	**9,454**	**3,867**	**8,776**	**1,780**

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 2022, the Interroll Group issued third-party guarantees totaling CHF 0.7 million (previous year: CHF 0.5 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

		Volume		Open payables	
in CHF thousands	Category	**2022**	**2021**	**31.12.2022**	**31.12.2021**
Purchase of materials	a	63	251	–1	27
Consulting services	b	–	21	–	6
IT investments/IT services	a	–	174	–	19
Other purchases	a	–	790	–	56
Total purchases		**63**	**1,236**	**–1**	**108**

		Volume		Open receivables	
in CHF thousands	Category	**2022**	**2021**	**31.12.2022**	**31.12.2021**
Sale of material	a	95	74	22	–
Other income	b	–	606	–	–
Total services		**95**	**680**	**22**	**–**

Definition of related parties

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

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

b) Members of the Board of Directors of Interroll Holding AG and legal entities that are directly controlled by them.

Total remuneration of the Board of the Directors
Total remuneration of the Board of Directors of Interroll Holding AG amounted to CHF 1.3 million in 2022 (2021: CHF 1.4 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 pages 25 to 33).

Total compensation for the Group Management

in CHF thousands	2022	2021
Salaries incl. bonus	2,739	2,985
Post-employment benefits	539	593
Equity-based compensation	571	857
Total compensation to the Group Management	**3,849**	**4,435**

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 pages 25 to 33).

8.3 Subsequent events
The consolidated financial statements for the year 2022 were approved by the Board of Directors on March 16, 2023, and are subject to further approval by the Annual General Meeting of Shareholders on May 12, 2023.

No event has occurred between December 31, 2022, and March 16, 2023, that would require adjustment to the carrying amount of the Group's assets and liabilities as at December 2022, 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 Conveyor GmbH	Obrigheim (DE)	P	DHO	EUR	25.0	100%
Interroll Innovation GmbH	Baal/Hückelhoven (DE)	I	DHO	EUR	26.0	100%
Interroll Trommelmotoren GmbH	Baal/Hückelhoven (DE)	P	DHO	EUR	77.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR	2,808.0	100%
Interroll SAS	La Roche-sur-Yon (FR)	P	F	EUR	2,660.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	S	F	EUR	61.0	100%
Interroll Nordic AS	Hvidovre (DK)	S	DKP	EUR	67.1	100%
Interroll Joki AS	Hvidovre (DK)	P	HD	EUR	2,013.8	100%
Interroll Ltd.	Kettering (GB)	S	HDE	GBP	0.0	100%
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP	0.1	100%
Interroll Italia S.r.l	Rho/Cornaredo (IT)	S	HDE	EUR	10.0	100%
Interroll España SA	Cerdanyola del Vallès (ES)	S	HDE/TI	EUR	600.0	100%
Interroll Software & Electronics GmbH	Linz (AT)	P	HD	EUR	35.0	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)	P/S	HD	ZAR	0.3	100%
Americas						
Interroll Corporation	Wilmington, NC (US)	P	IAU	USD	65.0	100%
Interroll USA, LLC	Wilmington, NC (US)	S	IAU	USD	0.0	100%
Interroll USA Holding, LLC	Wilmington, NC (US)	F	HD	USD	0.1	100%
Interroll Engineering West, Inc.	Cañon City, CO (US)	P	IAU	USD	0.0	100%
Interroll Atlanta, LLC	Hiram/Atlanta, GA (US)	P	IAU	USD	0.0	100%
Interroll Real Estate, LLC	Wilmington, NC (US)	F	IAU	USD	0.0	100%
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD	1,720.1	100%
Interroll Logistica Ltda	Jaguariuna/S. Paulo (BR)	P/S	HD/E	BRL	37,049.7	100%
Interroll Mexico S. de R.L. de C.V.	Mexico City (MX)	S	HD/PR	MXN	3.0	100%

Name	Location (country)	Function	Owner	Share capital in 1,000		Ownership in %
Asia-Pacific						
Interroll (Asia) Pte. Ltd.	Singapore (SG)	S	HDE	SGD	26,625.0	100%
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P	SGP	CNY	146,381.2	100%
Interroll Holding Management (Shanghai) Co. Ltd.	Shanghai (CN)	S	SGP	CNY	13,373.0	100%
Interroll Shenzhen Co. Ltd.	Shenzhen (CN)	P	SGP	CNY	5,770.0	100%
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD	51.2	100%
Interroll (Thailand) Co. Ltd.	Panthong (TH)	P/S	SGP/HD	THB	100,000.0	100%
Interroll Japan Co. Ltd.	Tokyo (JP)	S	HD	JPY	10,000.0	100%
Interroll (Korea) Corporation	Seoul (KR)	S	SGP/HD	KRW	1,500,000.0	100%

Function: P = Production, S = Sales, I = Innovation, F = Finance, D = dormant,
Owner: HD = Interroll Holding AG, HDE = Interroll Europe BV, TI = Interroll SA, DHO = Interroll Holding GmbH, DKP = Interroll Joki AS, F = Interroll SAS, Saint-Pol-de-Léon, E = Interroll España SA, SGP = Interroll (Asia) Pte. Ltd., Singapur, IAU = Interroll USA Holding LLC, PR = Interroll (Schweiz) AG

Movements within the scope of consolidation in 2022
During the year under review no acquisition or divestitures were carried out.

Changes to the scope of consolidation in 2021
In 2021, the company MitMacher GmbH in Linz Austria was acquired and renamed Interroll Software & Electronics GmbH. Interroll Kronau GmbH was renamed Interroll Conveyor GmbH and the place of business was moved to Obrigheim, Germany.

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

Report on the audit of the consolidated financial statements

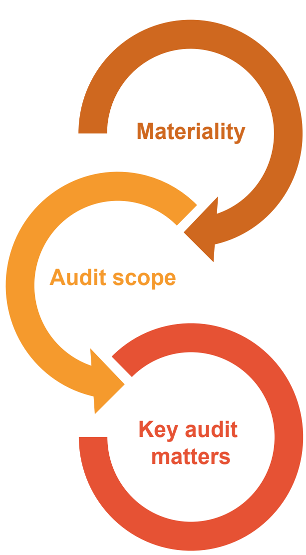
Opinion
We have audited the consolidated financial statements of INTERROLL HOLDING AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 38 to 82) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach



Overall Group materiality: CHF 4,500,000

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

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

Our audit scope addressed 76% of the Group's revenue.

As key audit matter the following area of focus has been identified: Revenue recognition

Materiality

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

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

Overall Group materiality	CHF 4,500,000
Benchmark applied	Result before income taxes
Rationale for the materiality benchmark applied	We chose the result before income taxes 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 225,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

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

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

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Consolidated sales of the INTERROLL Group for the financial year 2022 amounted to kCHF 664'409 (2021: kCHF 640'063). In accordance with IFRS 15, the Group recognizes revenue when a performance obligation is satisfied by transferring control of a promised good or service. The significant portion of the contracts are recognized as revenue on a point in time basis, however there are a few maintenance contracts which are recognized in revenue over time. As revenue is a key performance indicator and is in the focus of stakeholders, there could be undue pressure to achieve the forecasted results. This could lead to an increased risk relating to sales cut-off and revenues not being recorded in the appropriate accounting period. We consider revenue recognition to be a key audit matter due to the number of transactions that occur close to year-end and the potential impact of the cut-off date of these transactions on the consolidated financial statements. We refer to note 5 "Segment Reporting" in the notes to the consolidated financial statements.	We performed the following audit procedures to assess whether sales were recognized in the appropriate period: – On a sample basis, we confirmed revenue to the supporting documentation, such as sales orders, shipping documents, invoices and cash payments. A specific emphasis was set on verifying that revenue transactions at the end of the financial year and at the beginning of the new financial year have been recognized in the proper accounting period by comparing revenues close to the balance sheet date with the respective contractual terms. – We performed enquiries to gain an understanding of processes and internal controls, with respect to revenue recognition. We consider Management's approach to recognizing revenue in the appropriate period to be reasonable.

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

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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	Regina Spälti
Licensed audit expert	Licensed audit expert
Auditor in charge	

Zurich, 16 March, 2023