FINANCIAL REPORT OF THE INTERROLL GROUP

1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

1.1 Consolidated balance sheet

in CHF thousands	see notes*	31.12.2021	in %	31.12.2020	in %
ASSETS					
Property, plant and equipment	6.1	187,336		165,231	
Intangible assets	6.3	25,521		23,744	
Financial assets		734		751	
Deferred tax assets	7.6	8,776		8,421	
Total non-current assets		**222,367**	**41.3**	**198,147**	**42.3**
Inventories	6.5	129,412		62,586	
Current tax assets		3,587		1,855	
Trade and other accounts receivable	6.6	114,682		107,942	
Cash and cash equivalents	6.7	68,496		98,312	
Total current assets		**316,177**	**58.7**	**270,695**	**57.7**
Total assets		**538,544**	**100.0**	**468,842**	**100.0**
EQUITY AND LIABILITIES					
Share capital		854		854	
Share premium		8,904		8,660	
Reserve for own shares		–78,208		–56,352	
Translation reserve		–80,595		–74,009	
Retained earnings		494,473		432,837	
Total equity	6.10	**345,428**	**64.1**	**311,990**	**66.5**
Financial liabilities	6.12	5,042		5,794	
Deferred tax liabilities	7.6	1,780		1,723	
Pension liabilities	6.14	6,606		9,462	
Provisions	6.13	10,064		9,550	
Total non-current liabilities		**23,492**	**4.4**	**26,529**	**5.7**
Financial liabilities	6.12	17,360		297	
Current tax liabilities	7.6	18,950		19,411	
Advances received from customers	6.15	48,060		41,918	
Trade and other accounts payable	6.15	85,254		68,697	
Total current liabilities		**169,624**	**31.5**	**130,323**	**27.8**
Total liabilities		**193,116**	**35.9**	**156,852**	**33.5**
Total liability and shareholder's equity		**538,544**	**100.0**	**468,842**	**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*	2021	in %	2020	in %
Sales	5	**640,063**	**100.0**	**530,629**	**100.0**
Material expenses		–289,296	–45.2	–209,783	–39.5
Personnel expenses	6.14 & 7.1	–165,957	–25.9	–138,910	–26.2
Increase/(decrease) in work in progress, finished products and own goods capitalized		13,285	2.1	105	
Other operating expenses	7.3	–78,857	–12.3	–71,483	–13.5
Other operating income	7.4	3,242	0.5	4,855	0.9
Operating result before depreciation and amortization (EBITDA)		**122,480**	**19.1**	**115,413**	**21.7**
Depreciation	6.1	–19,983	–3.1	–17,966	–3.4
Amortization	6.3	–3,159	–0.5	–3,374	–0.6
Operating result (EBIT)		**99,338**	**15.5**	**94,073**	**17.7**
Finance expenses		–1,083	–0.1	–1,978	–0.4
Finance income		1,016	0.1	543	0.1
Finance result, net	7.5	**–67**	**–0.0**	**–1,435**	**–0.3**
Result before income taxes		**99,271**	**15.5**	**92,638**	**17.5**
Income tax expense	7.6	–18,671	–2.9	–20,896	–4.0
Result		**80,600**	**12.6**	**71,742**	**13.5**
Result attributable to:					
– non-controlling interests		–		–	
– owners of Interroll Holding AG		**80,600**	12.6	**71,742**	13.5
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	98.08		85.97	
Diluted earnings (result) per share	6.11	98.08		85.97	
dividend payment		27.00		22.50	

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

1.3 Consolidated statement of comprehensive income

in CHF thousands	see notes*	2021	in %	2020	in %
Result		**80,600**		**71,742**	
Other comprehensive income		–		–	
Items that will not be reclassified to income statement		–		–	
Remeasurement of pension liabilities	6.14	4,111		–3,876	
Income tax		–808		786	
Total items that will not be reclassified to income statement		**3,303**		**–3,090**	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		–6,586		–12,422	
Income taxes		–		–	
Total items that in the future may be reclassified subsequently to income statement		**–6,586**		**–12,422**	
Other income		**–3,283**		**–15,512**	
Comprehensive income		**77,317**		**56,230**	
Result attributable to:					
– non-controlling interests		–		–	
– owners of Interroll Holding AG		77,317	12.1	56,230	10.6

* 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*	2021	2020
Result		**80,600**	**71,742**
Depreciation, amortization and impairment	6.1 & 6.3	23,142	21,340
Loss/(gain) on disposal of tangible and intangible assets	7.3 & 7.4	–343	909
Financial result, net	7.5	67	1,434
Income tax expense	7.6	18,671	20,896
Changes in inventories		–69,071	937
Changes in trade and other accounts receivable		–9,363	–4,560
Changes in trade and other accounts payable		23,207	31,771
Changes in provisions, net	6.13	–2,240	1,704
Income tax paid		–21,869	–20,322
Personnel expenses on share-based payments	7.1	890	1,388
Other non-cash expenses/(income)		3,600	–4,296
Cash flow from operating activities		**47,291**	**122,943**
Acquisition of property, plant and equipment	6.1	–46,552	–47,962
Acquisition of intangible assets	6.3	–4,589	–3,350
Acquisition of financial assets		–31	–59
Proceeds from disposal of property, plant and equipment	6.1 & 6.1.1 & 6.3	2,386	1,825
Settlement of loans receivable		34	47
Acquisition of subsidiaries, net of cash acquired	4	12	–
Interest received		675	540
Cash flow from investing activities		**–48,065**	**–48,959**
Dividends paid	1.5	–22,267	–18,835
Purchase of treasury shares		–22,501	–30,814
Proceeds from financial liabilities		18,012	–
Repayment of financial liabilities		–2,741	–4,597
Interest paid		–274	–276
Cash flow from financing activities		**–29,771**	**–54,522**
Translation adjustments on cash and cash equivalents		729	–4,929
Change in cash and cash equivalents		**–29,816**	**14,533**
Cash and cash equivalents at January 1		98,312	83,779
Cash and cash equivalents at December 31	6.7	**68,496**	**98,312**

* 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, 2020		**854**	**8,479**	**–26,745**	**–61,587**	**383,019**	**304,020**
Result						**71,742**	**71,742**
Other comprehensive income, net of taxes		**–**	**–**	**–**	**–12,422**	**–3,090**	**–15,512**
Total comprehensive income		**–**	**–**	**–**	**–12,422**	**68,652**	**56,230**
Dividend payment, net		**–**	–	–	–	–18,835	**–18,835**
Share-based payments	7.1	–	181	1,207	–	–	**1,388**
Purchase of treasury shares	6.10	–	–	–30,814	–	–	**–30,814**
Balance at December 31, 2020		**854**	**8,660**	**–56,352**	**–74,009**	**432,837**	**311,990**
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		**–**	**–**	**–**	**–6,586**	**3,303**	**–3,283**
Total comprehensive income		**–**	**–**	**–**	**–6,586**	**83,903**	**77,317**
Dividend payment, net		–	–	–	–	–22,267	**–22,267**
Share-based payments	7.1	–	244	645	–	–	**889**
Purchase of treasury shares	6.10	–	–	–22,501	–	–	**–22,501**
Balance at December 31, 2021		**854**	**8,904**	**–78,208**	**–80,595**	**494,473**	**345,428**

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

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

General notes on the convention of preparation

The 2021 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, 2021, 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, 2021, 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, 2022, 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)		
	2021	**2020**	Change in %	**31.12.2021**	**31.12.2020**	Change in %
1 EUR	1.080	1.071	0.8	1.033	1.080	–4.4
1 USD	0.914	0.935	–2.2	0.912	0.880	3.6
1 CAD	0.730	0.697	4.7	0.718	0.691	3.9
1 GBP	1.258	1.205	4.4	1.230	1.202	2.3
1 SGD	0.681	0.679	0.3	0.676	0.666	1.5
1 CNY	0.142	0.136	4.6	0.144	0.135	6.7
1 JPY	0.008	0.009	–5.7	0.008	0.009	–7.1

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 Interroll Research Center, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

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

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

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

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

a) effects of transactions of a non-cash nature;

b) deferrals or accruals of past or future operating cash receipts or payments;

c) items of income or expense associated with investments or financing transactions.

Impairments
The carrying amount of non-current 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	2021	2020
Total assets	538.5	468.8
Net financial assets	46.1	92.2
– Cash	68.5	98.3
– Finance liabilities (bank + leasing)	–22.4	–6.1
Operating cash flow	47.3	122.9
Equity	345.4	312.0
Equity ratio (equity in % of assets)	**64.1**	**66.5**
Result	80.6	71.7
Return on equity (in %)	**24.5**	**23.3**
Non-diluted earnings per share (in CHF)	98.08	85.97
Distribution per share (in CHF)	31.00	27.00
Payout ratio (in %)	**31.6**	**31.4**

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 2021

Acquisitions/divestitures
As per January 13, 2021, Interroll Holding AG in Switzerland acquired the business activities of MITmacher GmbH in Linz (Austria) and integrated it in the newly founded entity "Interroll Software & Electronics GmbH." The fair market value of the net assets amounted to EUR 0.4m. Thereof EUR 0.4m were paid off directly.

in CHF thousands	2021	2020
	Fair value	Fair value
Property, plant and equipment	25	–
Intangible assets (customer value)	8	–
Acquired goodwill	393	–
Other receivables	138	–
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	2021	2020
Cash settlement of acquisition	431	–
./. Purchase price retention	-442	–
Net cash flow in acquisition	**-11**	**–**

Changes in financial year 2020
In 2020, no acquisitions or divestitures were carried out.

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	**2021**	in %	**2020**	in %	**2021**	in %	**2020**	in %
Germany	62,686	9.8	62,079	11.7	111,387	52.3	98,060	51.9
Other EMEA*	271,698	42.4	224,899	42.4	37,246	17.5	36,192	19.1
Total EMEA*	**334,384**	**52.2**	**286,978**	**54.1**	**148,633**	**69.8**	**134,252**	**71.0**
USA	182,703	28.5	129,814	24.5	34,172	16.1	34,434	18.2
Other Americas	30,098	4.7	28,321	5.3	1,474	0.7	1,491	0.8
Total Americas	**212,801**	**33.2**	**158,135**	**29.8**	**35,646**	**16.7**	**35,925**	**19.0**
China	43,998	6.9	40,223	7.6	20,705	9.7	9,978	5.3
Other Asia-Pacific	48,881	7.6	45,293	8.5	7,874	3.7	8,820	4.7
Total Asia-Pacific	**92,879**	**14.5**	**85,516**	**16.1**	**28,579**	**13.4**	**18,798**	**10.0**
Total Group	**640,063**	**100.0**	**530,629**	**100.0**	**212,858**	**100.0**	**188,975**	**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 19,000 active customers. No customer accounts for more than 10% of Group sales.

Sales by product group

Sales broken down by product group:

in CHF thousands	**2021**	in %	**2020**	in %
Rollers	134,586	21.0	105,992	20.0
Drives	191,636	29.9	156,519	29.5
Conveyors & Sorters	254,035	39.7	221,521	41.7
Pallet Handling	59,806	9.3	46,597	8.8
Total Group	**640,063**	**100.0**	**530,629**	**100.0**

Timing of revenue recognition

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

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Property, plant & equipment

Movements of property plant & equipment

	Land & building		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		Total	
in CHF thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
COSTS										
At 1.1.	**141,367**	**130,567**	**125,086**	**125,743**	**14,264**	**12,992**	**35,884**	**10,525**	**316,601**	**279,827**
Currency translation adj.	–4,658	–4,038	–2,018	–2,872	–448	–378	–226	–23	**–7,350**	**–7,311**
Additions	5,249	4,520	4,399	4,479	3,052	2,380	35,581	40,652	**48,281**	**52,031**
Disposals	–2,003	–822	–3,463	–6,211	–1,828	–899	–	–	**–7,294**	**–7,932**
Reclassifications	41,258	11,140	5,651	3,947	–30	169	–49,368	–15,270	**–2,489**	**–14**
Acquisition	–	–	5	–	21	–			**26**	**–**
At 31.12.	**181,213**	**141,367**	**129,660**	**125,086**	**15,031**	**14,264**	**21,871**	**35,884**	**347,775**	**316,601**
ACCUMULATED DEPRECIATION & IMPAIRMENTS										
At 1.1.	**–55,339**	**–50,215**	**–86,223**	**–85,140**	**–9,808**	**–8,968**			**–151,370**	**–144,323**
Currency translation adj.	1,394	1,303	1,514	1,632	268	281			**3,176**	**3,216**
Depreciation	–7,925	–7,131	–9,729	–8,882	–2,329	–1,954			**–19,983**	**–17,967**
Disposals	442	704	3,204	6,154	1,604	831			**5,250**	**7,689**
Reclassifications	2	–	2,282	13	204	2			**2,488**	**15**
At 31.12.	**–61,426**	**–55,339**	**–88,952**	**–86,223**	**–10,061**	**–9,808**			**–160,439**	**–151,370**
Property, plant & equipment at 31.12.	**119,787**	**86,028**	**40,708**	**38,863**	**4,970**	**4,456**	**21,871**	**35,884**	**187,336**	**165,231**
Capital commitments	8	–	4,014	6,296	–	–			**4,022**	**6,296**
Insurance value*	168,159	140,071	141,152	139,238	–	–			**309,311**	**279,309**

* 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	31.12.2021	31.12.2020
Carrying amount of lease assets	**6,865**	**7,284**
of which		
– Land & building	6,018	6,712
– Production equipment & machinery	398	150
– Office equipment & motor vehicles	449	422
Additions to lease assets	**1,583**	**4,016**

Income statement

in CHF thousands	2021	2020
Depreciation of lease assets	**2,916**	**2,954**
of which		
– Land & building	2,425	2,693
– Production equipment & machinery	181	58
– Office equipment & motor vehicles	310	203
Interest on lease liabilities	**243**	**239**
Variable lease payments	**–**	**–**

Cash flow statement

in CHF thousands	2021	2020
Total cash outflow for leases	**2,741**	**4,598**

Lease liabilities by duration

in CHF thousands	31.12.2021	31.12.2020
≤ 1 year	2,808	2,427
2 years	1,611	1,954
3 years	987	1,007
4 years	374	582
5 years	61	201
> 5 years	11	–
Total lease liabilities (undiscounted)	**5,852**	**6,171**

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	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
COSTS										
At 1.1.	**19,494**	**20,264**	**47,403**	**46,126**	**13,377**	**18,763**	**21,032**	**23,857**	**101,306**	**109,010**
Currency translation adj.	–17	–770	–151	–85	–583	–153	–604	–436	**–1,355**	**–1,444**
Additions	–	–	4,589	3,225	–	124	–	–	**4,589**	**3,349**
Disposals	–	–	–741	–315	–	–6,905	–	–2,389	**–741**	**–9,609**
Acquisition	393	–	10	–	–	–	–	–	**403**	**–**
Reclassifications	–	–	–68	–1,548	–15	1,548	–2	–	**–85**	**–**
At 31.12.	**19,870**	**19,494**	**51,042**	**47,403**	**12,779**	**13,377**	**20,426**	**21,032**	**104,117**	**101,306**
ACCUMULATED AMORTIZATION & IMPAIRMENTS										
At 1.1.	**–3,126**	**–3,126**	**–40,722**	**–38,373**	**–13,097**	**–18,543**	**–20,617**	**–21,849**	**–77,562**	**–81,891**
Currency translation adj.	–	–	109	61	573	153	618	372	**1,300**	**586**
Amortization	–	–	–2,975	–2,725	–65	–63	–119	–586	**–3,159**	**–3,374**
Acquisition	–	–	–2	–	–	–	–	–	**–2**	**–**
Disposals	–	–	741	315	–	5,356	1	1,446	**742**	**7,117**
Reclassifications	–	–	68	–	15	–	2	–	**85**	**–**
At 31.12.	**–3,126**	**–3,126**	**–42,781**	**–40,722**	**–12,574**	**–13,097**	**–20,115**	**–20,617**	**–78,596**	**–77,562**
Total intangible assets, net at 31.12.	**16,744**	**16,368**	**8,261**	**6,681**	**205**	**280**	**311**	**415**	**25,521**	**23,744**

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 8.9% in the year under review (2020: 10.1%), which reflects the market risk premium. The cash-generating unit (CGU) equals the Interroll Group. There is only one operating segment that corresponds to the reporting segment. All decisions are made at the Interroll Group level.

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

Software
Of the accumulated acquisition costs, CHF 43.9 million (2020: CHF 41.9million) relate to the development and implementation of the Group's SAP software. In the year under review, the additions to this process management system amounted to CHF 2.4 million (2020: CHF 3.2 million). Amortization begins from the go-live date and ends after eight years.

In the year under review Management did not write off any software assets (2020: CHF 0.5 million). In 2021, 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. In the previous year, process management for project-related execution of orders was enhanced and the manufacturing execution system was introduced.

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. In the previous year, remaining customer relationships in the USA were fully depreciated ahead of time. At the end of 2021, there was a residual amortization period of one year remaining on the majority of the customer relationships.

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

6.5 Inventories

Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2021	31.12.2020
Raw materials	108,945	53,740
Work in progress	20,423	14,067
Finished products	7,744	3,224
Valuation allowance	–7,700	–8,445
Total inventory, net	**129,412**	**62,586**

No inventory was pledged in neither year under review.

Development of valuation allowance on inventory

in CHF thousands	2021	2020
Balance as per 1.1.	**–8,445**	**–8,648**
Currency translation adjustment	35	218
Additions	–1,248	–962
Reductions	1,958	947
Total valuation allowance on inventory as per 31.12.	**–7,700**	**–8,445**

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

6.6 Trade and other receivables

Detailed overview of trade and other accounts receivable

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

in CHF thousands	31.12.2021	31.12.2020
Trade accounts receivable from goods and services	106,438	101,495
Valuation allowance	–9,950	–11,228
Total trade accounts receivable, net	**96,488**	**90,267**
Prepaid expenses and accrued income	6,074	4,139
Prepayments for inventories	4,503	4,603
Other accounts receivable	7,774	8,841
Forward exchange dealing	–157	92
Total other accounts receivable	**18,194**	**17,675**
Total trade and other accounts receivable, net	**114,682**	**107,942**

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				**31.12.2021**				**31.12.2020**
	Gross	Valuation allowance		**Net**	Gross	Valuation allowance		**Net**
		individual	collective			individual	collective	
Not past due	69,351	–14	–	**69,337**	69,330	–	–	**69,330**
Past due 1–30 days	12,382	–2	–	**12,380**	9,587	–	–	**9,587**
Past due 31–60 days	6,342	–6	–	**6,336**	10,867	–2,471	–	**8,396**
Past due 61–90 days	5,430	–	–	**5,430**	2,909	–	–	**2,909**
Past due > 90 days	12,933	–9,504	–424	**3,005**	8,802	–8,314	–443	**45**
Total trade accounts receivable	**106,438**	**–9,526**	**–424**	**96,488**	**101,495**	**–10,785**	**–443**	**90,267**

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	2021			2020		
		Valuation allowance			Valuation allowance	
	Total	individual	collective	**Total**	individual	collective
At 1.1.	**–11,228**	**–10,785**	**–443**	**–6,383**	**–5,938**	**–445**
Currency translation adjustment	–212	–231	19	3,903	3,901	2
Additions	–3,888	–3,888	–	–9,915	–9,915	–
Allowance used	264	264	–	260	260	–
Allowance reversed	5,114	5,114	–	907	907	–
At 31.12.	**–9,950**	**–9,526**	**–424**	**–11,228**	**–10,785**	**–443**

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	31.12.2021	in %	31.12.2020	in %
EUR	48,092	45.2	39,547	39.0
USD	27,346	25.7	30,980	30.5
CNY	10,235	9.6	11,446	11.3
THB	2,465	2.3	3,117	3.1
DKK	2,571	2.4	2,205	2.2
all other currencies	15,729	14.8	14,200	13.9
Total trade accounts receivable, gross	**106,438**	**100.0**	**101,495**	**100.0**

Regional breakdown of trade accounts receivable

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

in CHF thousands	31.12.2021	in %	31.12.2020	in %
Europe, Middle East, Africa	55,727	52.4	46,073	45.4
Americas	30,220	28.3	34,407	33.9
Asia-Pacific	20,491	19.3	21,015	20.7
Total trade accounts receivable, gross	**106,438**	**100.0**	**101,495**	**100.0**

On average, trade accounts receivable are outstanding for 46 days (DSO). The respective values are 45 for Europe, 61 for the Americas and 26 for Asia. In the previous year, the DSO was 48 for the Group, 45 for Europe, 58 for the Americas and 39 for Asia.

6.7 Cash and cash equivalents

Items included in cash and cash equivalents

in CHF thousands	31.12.2021	31.12.2020
Cash on hand, bank and postal accounts	53,528	77,551
Current deposits	14,968	20,761
Total cash and cash equivalents	**68,496**	**98,312**

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

Currencies held in cash and cash equivalents

in %	31.12.2021	31.12.2020
EUR	11.0	14.0
CHF	1.0	5.0
CNY	39.0	29.0
USD	15.0	31.0
THB	1.0	1.0
KRW	21.0	8.0
BRL	1.0	1.0
ZAR	–	1.0
Other currencies	11.0	10.0
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	31.12.2021	31.12.2020
Cash and cash equivalents	68,496	98,312
Trade and other accounts receivable without advances	110,179	103,339
Financial assets	734	751
Total financial assets at amortized cost	**179,409**	**202,402**
Foreign currency forward contracts*	–157	92
Total financial instruments at fair value	**–157**	**92**
Trade and other accounts payable	100,426	75,721
Financial liabilities (incl. bank overdrafts)	22,402	6,091
Total financial liabilities at carrying value	**122,828**	**81,812**

* 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					31.12.2021					31.12.2020
	EUR	CHF	USD	SGD	CNY	EUR	CHF	USD	SGD	CNY
Financial assets	3	75	–24	–	–	3	75	–	–	–
Trade and other accounts receivable	12,410	416	9,608	131	945	5,843	354	8,349	54	1,050
Cash and cash equivalents incl. intercompany loans	5,777	19,096	2,540	–	22	8,027	50,625	1,584	–	29
Financial liabilities	–	–	695	–	–	–	–	–	–	–
Trade and other accounts payable	14,624	8,982	3,882	–	3,059	8,493	12,016	3,644	–	3,051
Current liabilities	1,453	10,000	646	1,352	–	1,733	–	28	–	–
Currency risks on the balance sheet (gross)	**34,267**	**38,569**	**17,347**	**1,483**	**4,026**	**24,099**	**63,070**	**13,605**	**54**	**4,130**
Elimination same currency	–20,881	–28,459	–10,407	–	–88	–14,464	–16,868	–6,922	–	–55
Currency risks on the balance sheet (net)	**13,386**	**10,110**	**6,940**	**1,483**	**3,938**	**9,635**	**46,202**	**6,683**	**54**	**4,075**
Natural hedges	–2,374	–822	–	–48	–923	–192	–415	–	–	–85
FX forward contracts	–1,148	–3,688	-4´443	–979	–1,430	–3,224	–21,341	–3,435	–	–1,445
Net currency risk exposure	**9,864**	**5,600**	**2'497**	**456**	**1,585**	**6,219**	**24,446**	**3,248**	**54**	**2,545**

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				31.12.2021			31.12.2020
Hedged currency	Sell/buy	Maturity	Notional amount in CHF	Fair value	Sell/buy	Notional amount in CHF	Fair value
USD	USD/CHF	Feb 22	1,628	19	USD/CHF	662	12
USD	USD/EUR	Feb 22	2,815	–57	USD/EUR	1,409	38
USD					CAD/USD	869	25
SGD	SGD/EUR	Feb 22	619	–14			
SGD	CHF/SGD	Jan 22	1,347	4			
EUR	EUR/TRY	Feb 22	530	–120	EUR/TRY	893	37
EUR					PLN/EUR	962	3
AUD	CHF/AUD	Jan 22	1,967	20			
CNY	AUD/CNY	Feb 22	1,430	48			
CNY					CNY/EUR	1,002	1
CNY					KRW/CNY	580	–11
CHF	CHF/EUR	Feb 22	3,688	–103	CHF/EUR	14,705	122
CZK					EUR/CZK	675	23
CZK	CHF/CZK	Jan 22	2,675	29	CHF/CZK	1,496	–13
GBP	CHF/GBP	Jan 22	2,685	28			
PLN	CHF/PLN	Jan 22	851	7	CHF/PLN	1,416	–43
THB	THB/CHF	Feb 22	3,063	–2	THB/CHF	2,936	–77
THB	THB/EUR	Feb 22	1,386	–44	THB/EUR	1,507	–27
CAD	CHF/CAD	Jan 22	2,855	28	CHF/CAD	1,734	2
Total derivative financial instruments				**–157**			**92**

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			31.12.2021			31.12.2020
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	–	359	156	–	879	935
Cash and cash equiv. incl. IC-loans	19,077	111	656	50,520	3	749
Trade and other payables	1,130	–	–	5,355	–	570
Current liabilities	10,000	–	–	–	–	–
Gross exposure per currency pair	**30,282**	**470**	**812**	**55,950**	**882**	**2,254**
Risks opposing each other	–26,168	3'360	1,900	–13,268	1,191	–1,142
FX forward contracts	3,688	1'628	–	14,704	663	–869
Net FX exposure per currency pair	**7,802**	**5'458**	**2,712**	**57,386**	**2,736**	**243**
Currency change in %	1	2	7	4	6	1
Effect on the result (+/-)	**62**	**120**	**193**	**2,066**	**159**	**3**
Income tax expense at 17.51%	–11	-21	–34	–428	–33	–1
Net FX exposure after income taxes	**51**	**99**	**159**	**1,638**	**126**	**2**

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 applicable rate for an ordinary taxed entity in Switzerland (see note 7.6).

Interest rate risks
As at the balance sheet date, the Interroll Group held net financial assets of CHF 15.0 million (previous year: CHF 20.8 million, see also note 6.12). These comprise CHF 15.7 million (previous year: CHF 21.5 million) in financial assets, of which CHF 0.7 million (previous year: CHF 0.8 million) are non-interest-bearing. There are bank loans of CHF 17.1 million (previous year: nil). The portion of non-interest-bearing financial assets was immaterial in both years under review.

The following table divides interest-bearing assets and liabilities into fix 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 fix interest rate. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in CHF thousands				31.12.2021				31.12.2020
	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	0.1–3.0	14,889	–	–	0.5–3.0	2,839	–	–
Variable interest rate	0.4–2.5	79	1	–1	0.00–0.03	17,922	179	–179
Not-interest-bearing	–	733	–	–	–	751	–	–
Total deposits		**15,701**	**1**	**–1**		**21,512**	**179**	**–179**
Cash on hand, bank and postal accounts		53,528	–	–		77,551	–	–
Trade and other receivables		110,179	–	–		103,339	–	–
Total other financial assets		**163,707**	**–**	**–**		**180,890**	**–**	**–**
Total financial assets		**179,408**	**1**	**–1**		**202,402**	**179**	**–179**
FINANCIAL LIABILITIES								
Fixed interest rate	0.5	17,135	–	–	–	–	–	–
Total bank loans		**17,135**	**–**	**–**		**–**	**–**	**–**
Bank overdrafts		98	–	–		1	–	–
Trade and other accounts payable		100,583	–	–		75,629	–	–
Financial liabilities		22,304	–	–		6,090	–	–
Total trade and other accounts payable		**122,985**	**–**	**–**		**81,720**	**–**	**–**
Total financial liabilities		**140,120**	**–**	**–**		**– 81,720**	**–**	**–**
Net financial liabilities		**39,288**	**1**	**–1**		**120,682**	**179**	**–179**

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 remained almost unchanged if there had been a 1 percentage point increase or decrease in interest rates. In the previous year, an increase in the interest rate of 1 percentage point would have changed the Group's result slightly by CHF 0.18 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 50.8 million (2020: CHF 68.3 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

	2021	2020
Issued shares par value CHF 1.00 each	**854,000**	**854,000**
Own shares held by the Group as per 1.1.	**28,620**	**16,559**
Purchase of own shares	6,500	12,800
Attribution of shares relating to bonus plan	–326	–739
Treasury shares held by the Group as per 31.12.	**34,794**	**28,620**
thereof unreserved	34,794	28,620
Shares outstanding as per 31.12.	**819,206**	**825,380**

6.11 Earnings per share

Undiluted earnings per share

The non-diluted earnings per share in 2021 amount to CHF 98.08 (2020: CHF 85.97). The calculation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding.

	2021	2020
Result attributable to the equity holders (in CHF thousands)	**80,600**	**71,742**
Shares outstanding as per 1.1.	**825,380**	**837,441**
Effect of the purchase of treasury shares	–3,871	–3,520
Effect of the sale/attribution of treasury shares	291	611
Weighted average of shares outstanding as per 31.12.	**821,800**	**834,532**
Undiluted earnings per share (in CHF)	**98,08**	**85,97**

Diluted earnings per share

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

	2021	2020
Result attributable to the equity holders (in CHF thousands)	**80,600**	**71,742**
Weighted average of shares outstanding (diluted)	**821,800**	**834,532**
Diluted earnings per share (in CHF)	**98,08**	**85,97**

6.12 Financial liabilities

Details of current and non-current financial liabilities

in CHF thousands	31.12.2021	31.12.2020
Bank overdrafts	98	1
Bank loans	17,135	–
Lease liabilities (finance + operating)	127	296
Total current financial liabilities	**17,360**	**297**
Lease liabilities (finance + operating)	5,042	5,794
Total non-current financial liabilities	**5,042**	**5,794**
Total financial liabilities	**22,402**	**6,091**

Net financial liabilities to equity ratio

in CHF thousands	31.12.2021	31.12.2020
Total financial liabilities	22,402	6,091
./. Cash and cash equivalents	–68,496	–98,312
Net financial liabilities (-net cash)	**–46,094**	**–92,221**
Equity	**345,428**	**311,990**
Net financial debt in % of the equity	**n/a**	**n/a**

Loan structure

in CHF thousands					2021		2020	
	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, 2021, are due as follows:

in CHF thousands	Carrying amount	Face value (undis-counted)	within 12 months	within 2 years	within 3 years	within 4 years	within 5 years	> 5 years
Bank 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	1,431	844	374	61	11
Total financial liabilities	**122,985**	**123,105**	**120,384**	**1,431**	**844**	**374**	**61**	**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.

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

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

* 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	2021	2020	2021	2020	2021	2020
At 1.1.	**8,784**	**8,158**	**766**	**697**	**9,550**	**8,855**
Currency translation adjustments	–10	–383	–55	–14	–65	**–397**
Provisions made	4,006	4,395	2,005	249	6,011	**4,644**
Provisions used	–1,848	–2,776	–218	–119	–2,066	**–2,895**
Provisions reversed	–1,735	–610	–1,631	–47	–3,366	**–657**
At 31.12.	**9,197**	**8,784**	**867**	**766**	**10,064**	**9,550**

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 1.4% (previous year: 1.7%) 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 2021 amounted to CHF –3.5 million (2020: CHF +1.1 million). The cost reduction in the previous year was the result of a plan change in Switzerland, which generated a positive contribution of CHF 4.2 million. The past service costs of CHF 1.0 million in the year under review are due to another plan change in Switzerland. Pension costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are classified as defined benefit plans under IAS 19. In 2021, 218 people participated in these defined benefit plans; in 2020, 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	2021	2020
Costs of the defined contribution plans	**1,501**	**1,487**
Past service costs incl. curtailment	1,049	–4,171
Result from non-routine settlements	–424	–
Current service costs, net	1,309	1,501
Administrative expenses	30	33
Interest costs	20	32
Costs of the defined benefit plans	**1,984**	**–2,605**
Effects of changes in demographic assumptions	–985	–
Effects of changes in financial assumptions	–290	742
Effects of experience assumptions	–1,040	747
Return on plan assets (excl. interest income)	–1,796	2,387
Remeasurements included in other income	**–4,111**	**3,876**
Defined benefit costs	**–626**	**2,758**

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.	2021	2020
Present value of defined benefit obligation	–17,715	–33,557
Fair value of plan assets	11,109	24,095
Pension liability	**–6,606**	**–9,462**

Roll forward of the defined benefit obligation

in CHF thousands	2021	2020
Benefit obligation as per 1.1.	**–33,557**	**–35,404**
Past service costs incl. curtailment	–1,049	4,171
Current service costs, net	–1,309	–1,501
Interest costs	–58	–125
Contributions from employees	–494	–510
Benefits (funded)/paid, net	10,863	1,295
Benefits (funded)/paid, net from employer	49	3
Translation difference	39	3
Liabilities extinguished on settlement	5,486	–
Remeasurements		
– Effects of changes in demographic assumptions	985	–
– Effects of changes in financial assumptions	290	–742
– Effects of experience assumptions	1,040	–747
Benefit obligation as per 31.12.	**–17,715**	**–33,557**

Roll forward of the present value of plan assets

in CHF thousands	2021	2020
Fair value of plan assets as per 1.1.	**24,095**	**26,545**
Administrative expenses	–30	–33
Interest income	38	93
Employer contributions	645	662
Employee contributions	494	510
Assets distributed on settlements	–5,062	–
Benefits (funded)/paid, net	–10,863	–1,295
Translation difference	–4	–
Result of plan assets	1,796	–2,387
Fair value of plan assets as per 31.12.	**11,109**	**24,095**

Investment categories

in CHF thousands, per 31.12.	2021	2020
Equities (quoted market prices)	2,594	7,388
Bonds (quoted market prices)	4,143	6,028
Real estate (other than quoted market prices)	657	1,325
Real estate (direct investments)	1,607	5,272
Alternative investments (quoted market prices)	1,134	1,039
Qualified insurance policies*	734	2,351
Cash	240	692
Total investments	**11,109**	**24,095**

* These assets are fully invested by the collective foundation of the pension fund insurer (2021: SwissLife; 2020: AXA) in qualified insurance policies with the pension fund insurer.

Net defined benefit liability (asset) reconciliation

in CHF thousands	2021	2020
Net defined benefit liability as per 1.1.	**–9,462**	**–8,859**
Defined benefit costs included in P/L	–1,984	2,605
Total remeasurements included in OCI	4,111	–3,876
Employer contributions	694	665
Translation difference	35	3
Net defined benefit liability as per 31.12.	**–6,606**	**–9,462**

Actuarial assumptions

in %	2021	2020
Discount rate	0.3	0.2
Future salary increases	1.1	0.8
Expected benefit increases	0.0	0.0
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2020	BVG 2015
Weighted modified duration in years	20.4	14.1

Sensitivities

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

Discount rate	**0.33%**	**+0.25%**	**–0.25%**
Benefit obligation	–17,715	–16,830	–18,666

Rate of salary increase	**1.05%**	**+0.25%**	**–0.25%**
Benefit obligation	–17,715	–17,835	–17,593

Sensitivities are based on possible changes that are likely as at the end of 2021.

6.15 Trade and other accounts payable, accrued expenses

in CHF thousands	31.12.2021	31.12.2020
Trade accounts payable to third parties	38,550	18,269
Total trade accounts payable	**38,550**	**18,269**
Other liabilities	13,973	15,442
Advances received from customers	48,060	41,918
Total other accounts payable	**62,033**	**57,360**
Accrued personnel expenses	9,932	11,190
Accrued interest	5	5
Other accrued expenses	22,795	23,791
Total accrued expenses	**32,732**	**34,986**
Total trade and other accounts payable, accrued expenses	**133,315**	**110,615**

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.
Practically all advances received from customers existing at the beginning of 2021 were recognized as revenue during the period under review.

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

in CHF thousands	2021	2020
Opening balance of advances received from customers as per 1.1.	**41,918**	**16,645**
– Revenue recognized that was included in the advances received from customers balance at the beginning of the period	–39,590	–13,755
– Increases due to cash received, excl, amounts recognized as revenue during the period	45,738	41,495
Currency translation adj.	–6	–2,467
Closing balance of advances received from customers as per 31.12.	**48,060**	**41,918**

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details of personnel expenses and number of employees

in CHF thousands	2021	2020
Wages and salaries	136,217	117,572
Social security costs	21,115	17,342
Pension costs (see note 6.14)	3,485	–1,118
Other personnel-related costs	4,251	3,726
Equity-based personnel expenses to management personnel	889	1,388
Total personnel expenses	**165,957**	**138,910**
Thereof production-related personnel expenses	77,204	62,177
Average number of employees	2,421	2,206

In the year under review, a total of 326 treasury shares (previous year: 739) were allocated to senior employees under bonus plans, of which 321 shares (previous year: 734 shares) are subject to a sales restriction of four to ten 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	2021	2020
Research and development (R&D) expenditures	12,182	9,979
R&D in % of sales	1.90	1.88

7.3 Other operating expenses

in CHF thousands	2021	2020
Production-related expenses	14,368	10,986
Freight	19,761	13,277
Office, administration and IT services	11,258	10,669
Building costs	5,682	4,070
Traveling and transportation	4,639	3,254
Marketing	5,074	4,288
Consultancy, auditing and insurance	9,343	6,710
Provisions and allowances, net	1,944	2,795
Variable sales costs	275	7,725
Non-income taxes	2,746	2,451
Other expenses and services	3,767	4,349
Losses on disposals of tangible/intangible assets	–	909
Total other operating expenses	**78,857**	**71,483**

7.4 Other operating income

in CHF thousands	2021	2020
Income from freight and packing	2,206	2,564
Income from services	152	480
Government grants received	541	1,811
Gain on disposal of tangible and intangible assets	343	–
Total other operating income	**3,242**	**4,855**

7.5 Financial result

in CHF thousands	2021	2020
Fair value changes of foreign currency forward contracts	–	–189
Realized translation losses	–805	–752
Realized translation expenses, net	–	–756
Interest expenses	–278	–281
Financial expenses	**–1,083**	**–1,978**
Realized translation result, net	166	–
Fair value changes of foreign currency forward contracts	170	–
Interest income	680	543
Financial income	**1,016**	**543**
Financial result, net	**–67**	**–1,435**

7.6 Income tax expense

Components of income tax expense

in CHF thousands	2021	2020
Income taxes relating to the current period	21,827	22,621
Income taxes relating to past periods, net	–1,939	–1,818
Current income tax expense	**19,888**	**20,803**
Due to temporary differences	–1,086	1,203
Due to tax rate changes	–249	–1,002
Due to (recognition)/use of tax loss carryforwards	10	–101
Adjustments to deferred tax assets	109	–
Other effects (including acquisition)	–1	–7
Deferred income tax expense/(income)	**–1,217**	**93**
Total income tax expense	**18,671**	**20,896**

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

Deferred tax liabilities of CHF 1.0 million (previous year: CHF 0.8 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	2021	2020
Result before income taxes	**99,271**	**92,638**
Income tax expense at the expected tax rate of 17.5% (2020: 25.6%)	17,382	23,718
(Tax credits)/tax charges on prior years' results, net	–1,939	–1,818
Effect from deviation to tax rates in Group companies	11,882	2,822
Tax rate changes, net	–249	–1,002
(Non-taxable income)/non-tax deductible expenses, net	–8,595	–34
(use of unrecognized tax losses)/effect of unrecognized tax losses on the current year's result, net	81	–2,783
(Reversal of)/write offs on deferred tax assets, net	109	–7
Effective (total) income tax expense	**18,671**	**20,896**

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	31.12.2021		31.12.2020	
	not capitalized	capitalized	not capitalized	capitalized
Expiry:				
2021	–	–	99	–
2022	–	–	–	–
2023	221	–	334	–
2024	159	–	171	–
2025	60	419	65	485
2026 and later	1,031	–	247	–
unlimited	4,400	–	5,585	–
Total	**5,871**	**419**	**6,501**	**485**
Tax benefit	1,441	84	1,605	100
Thereof unrecognizable	–1,441	–	–1,605	–
Deferred tax assets from carried forward losses		**84**		**100**

New loss carryforwards of CHF 1.4 million resulted in a potential tax credit of CHF 0.3 million in 2021. In the period under review, tax assets of CHF 0.0 million were capitalized. In the previous year, new loss carryforwards of CHF 0.5 million resulted in a potential tax credit of CHF 0.1 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 Singapore.

Attribution of deferred tax assets/liabilities to balance sheet items

in CHF thousands	31.12.2021		31.12.2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	2,789	231	2,737	344
Property, plant and equipment	1,879	3,943	1,447	4,174
Financial assets	–	2,767	–	2,842
Inventory	3,501	303	2,821	91
Benefits of loss carryforwards	84	–	100	–
Receivables	636	136	415	145
Total assets	**8,889**	**7,380**	**7,520**	**7,596**
Non-current debts	1,238	–	1,437	–
Provisions	4,329	2,327	4,923	1,213
Current debts	2,232	477	1,683	182
Other liabilities	502	10	229	103
Total liabilities	**8,301**	**2,814**	**8,272**	**1,498**
Set-off	–8,414	–8,414	–7,371	–7,371
Total net	**8,776**	**1,780**	**8,421**	**1,723**

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

8 OTHER DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

8.1 Contingent liabilities

As at the end of 2021, the Interroll Group issued third-party guarantees totaling CHF 0.5 million (2020: CHF 0.3 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	2021	2020	31.12.2021	31.12.2020
Purchase of materials	a	251	126	27	5
Consulting services	b	21	–	6	–
IT investments/IT services	a	174	–	19	–
Other purchases	a	790	125	56	–
Total purchases		**1,236**	**251**	**108**	**5**

		Volume		Open receivables	
in CHF thousands	Category	2021	2020	31.12.2021	31.12.2020
Sale of material	a	74	130	–	–
Other income	b	606	–	–	–
Total services		**680**	**130**	**–**	**–**

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 Ltd. 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 1.4 million in 2021 (2020: CHF 0.9 million). Detailed disclosures regarding the remuneration and shareholdings of the Board of Directors in accordance with Swiss law (OR) can be found in the remuneration report (see pp 59–67).

Total compensation for the Group Management

in CHF thousands	2021	2020
Salaries incl. bonus	2,985	3,820
Post-employment benefits	593	661
Equity-based compensation	857	1,384
Total compensation to the Group Management	**4,435**	**5,865**

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

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

8.3 Subsequent events

The consolidated financial statements for the year 2021were approved by the Board of Directors on March 14, 2022, and are subject to further approval by the Annual General Meeting of Shareholders on May 13, 2022.

No event has occurred between December 31, 2021, and March 14, 2022, that would require adjustment to the carrying amount of the Group's assets and liabilities as at December 2021, 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 Innovations GmbH	Baal/Hückelhoven (DE)	I	DHO	EUR	26.0	100%
Interroll Trommelmotoren GmbH	Baal/Hückelhoven (DE)	P	DHO	EUR	77.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR	2,808.0	100%
Interroll SAS	La Roche-sur-Yon (FR)	P	F	EUR	2,660.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	S	F	EUR	61.0	100%
Interroll Nordic AS	Hvidovre (DK)	S	DKP	EUR	67.1	100%
Interroll Joki AS	Hvidovre (DK)	P	HD	EUR	2,013.8	100%
Interroll Ltd.	Kettering (GB)	S	HDE	GBP	0.0	100%
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP	0.1	100%
Interroll Italia S.r.l	Rho/Cornaredo (IT)	S	HDE	EUR	10.0	100%
Interroll España SA	Cerdanyola del Vallès (ES)	S	HDE/TI	EUR	600.0	100%
Interroll Software & Electronics GmbH	Linz (AUT)	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.	Warszaw (PL)	S	HD	PLZ	100.0	100%
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD/PR	TRY	1,000.0	100%
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	P/S	HD	ZAR	0.3	100%
Americas						
Interroll Corporation	Wilmington, NC (US)	P	IAU	USD	65.0	100%
Interroll USA, LLC	Wilmington, NC (US)	S	IAU	USD	0.0	100%
Interroll USA Holding, LLC	Wilmington, DE (US)	F	HD	USD	0.1	100%
Interroll Engineering West, Inc.	Cañon City, CO (US)	P	IAU	USD	0.0	100%
Interroll Atlanta, LLC	Hiram/Atlanta, GA (US)	P	IAU	USD	0.0	100%
Interroll Real Estate, LLC	Wilmington, DE (US)	F	IAU	USD	0.0	100%
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD	1,720.1	100%
Interroll Logistica Ltda	Jaguariuna/S. Paulo (BR)	P/S	HD/E	BRL	37,049.7	100%
Interroll Mexico S. de R.L. de C.V.	Mexico City (MX)	S	HD/PR	MXN	1,720.1	100%

Name	Location (country)	Function	Owner	Share capital in 1,000		Ownership in %
Asia-Pacific						
Interroll (Asia) Pte. Ltd.	Singapore (SG)	S	HDE	SGD	26,625.0	100%
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P	SGP	CNY	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	1,000.0	100%
Interroll (Korea) Corporation	Seoul (KR)	S	SGP/HD	KRW	1,500,000.0	100%

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

Movements within the scope of consolidation in 2021

During the year under review company MitMacher GmbH in Linz Austria was acquired and renamed to Interroll Software & Electronics GmbH. Interroll Kronau GmbH was renamed to Interroll Conveyor GmbH and the place of business was moved to Obrigheim, Germany.

Changes to the scope of consolidation in 2020

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Interroll Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

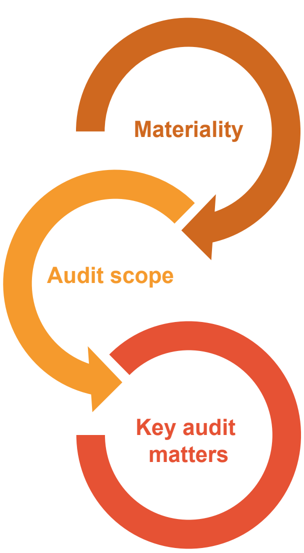
In our opinion, the consolidated financial statements (pages 42 to 87) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overall Group materiality: CHF 4,950,000

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

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

Our audit scope addressed 73% of the Group's revenue.

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

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

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

Overall Group materiality	CHF 4,950,000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 200'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

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

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

Valuation of accounts receivable

Key audit matter	How our audit addressed the key audit matter
As at December 31, 2021, trade receivables amount to CHF 96.5 million which represent a significant balance of the Group's total assets. Due to the significant sales growth of the Group during past years with new customers, the resulting high balance of trade receivables and the significant influence of assumptions made by management in assessing impairment, the valuation of trade receivables is a focus area of our audit. Trade receivables are stated at amortized cost less valuation adjustments. The amount of the adjustment is calculated based on expected credit losses. It consists of individual allowances for specifically identified items and collective allowances for losses incurred but not reported. The expected future credit losses were estimated by management based on the customer's ageing profile, historical payment pattern and the past record of default of the customer. For the purpose of impairment assessment, significant management judgements and assumptions are required for the identification of impairment events and the determination of the impairment charge. We refer to the section "Trade and other receivables" in the accounting policies and to note 6.6 in the notes to the financial statements.	We have performed the following audit procedures regarding the recoverability of the accounts receivable: – Tested the accuracy and existence of the customer receivables outstanding at the end of the year on a sample basis; – Obtained a list of outstanding receivables and identified any debtors with potential payment difficulties through discussion with management and review of ageing structure; – Assessed the recoverability of unsettled receivables on a sample basis through our evaluation of management's assessment, with reference to the credit profile of the customers, historical payment patterns, publicly available information and the latest correspondence with customers to consider if any additional allowances should be made; – Tested subsequent settlement of trade receivables after balance sheet date on a sample basis. Our audit results support the Board of Directors' assessment of trade receivables as at December 31, 2021.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerhard Siegrist
Audit expert
Auditor in charge

Regina Spälti
Audit expert

Zurich, 17 March, 2022