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Semi-Annual Report

We Enable Energy



vonRoll

In the first half of 2020, Von Roll achieved an order intake of CHF 124.5 million. Sales totaled CHF 119.5 million.

Operating income (EBIT) amounted to CHF 0.5 million before deconsolidation and CHF -10.9 million after deconsolidation.

Cash flow from operating activities amounted to CHF 1.6 million.

Earnings after taxes (EAT) were CHF -15.0 million in the first half of 2020.

Key figures

in CHF 1,000	1H 2020	1H 2019
Order intake	124,464	155,514
Net sales	119,509	154,754
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-4,953	9,301
Operating income before deconsolidation	539	2,537
Operating income (EBIT)	-10,947	2,537
Earnings after taxes (EAT)	-15,046	-557
Cash flow from operating activities	1,605	-1,229
Capital expenditures	2,402	1,876
Equity	179,532	199,018
Equity ratio (%)	74.3 %	71.9 %
Number of employees (FTE)	1,054	1,252

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We Enable Energy

Dear shareholders,

The first half 2020 was marked by the worldwide spread of the coronavirus pandemic and its negative consequences for the global economy. After an initially solid performance in the first quarter, the rapid expansion of the coronavirus combined with extensive government-imposed restrictions on industrial production and global trade in goods led to major challenges.

Thanks to timely countermeasures and our employees' exceptional dedication, we were able to almost fully maintain our own delivery capability. However, the difficult circumstances for our customers led to a sharp decrease in demand in the second quarter, in particular for our products in the low-voltage and composite markets.

Even during the coronavirus crisis, we continued to pursue our strategic goals with determined commitment. These involve increasing productivity in our global plant network, expanding our skills and activities into new markets (automotive and aerospace), and searching for acquisition targets. The progress in the first half of the year includes:

- » strengthening our presence in India through the expansion of local coil production in connection with the conclusion of a major contract in the wind industry
- » further consolidation of the global plant network by spinning off two loss-making sites in France
- » gaining further nominations in the double-digit million range in the e-mobility market
- » a rising number of evaluation projects, reflecting positive interest in our innovations for aerospace applications
- » excellent response to the consulting services offered by our Institute for High-Voltage Insulation

Net sales amounted to CHF 119.5 million in the first half of 2020 (first half of 2019: CHF 154.8 million). Taking into account the changes in the scope of consolidation and exchange rate effects, the year-over-year decline in revenue was around 12.3%. Due to all the structural adjustments in the last few years and prudent cost management, we managed to generate an operating income before deconsolidation of the two plants in France of CHF 0.5 million despite the coronavirus crisis.

However, nonrecurring expenses from the two discontinued French sites in Delle led to an operating loss (EBIT) of CHF 10.9 million (first half of 2019: operating income of CHF 2.5 million). The net result decreased to a similar extent to CHF -15.0 million (first half of 2019: CHF -0.6 million).

Cash flow from operating activities was CHF 1.6 million (first half of 2019: CHF -1.2 million). Following the successful repayment of the convertible bond from 2014, Von Roll has liquid assets of around CHF 48 million. The equity ratio improved slightly to 74.3% as a result of the balance sheet contraction.

For the second half of the year, we expect a weak economy that is still shaped by Covid-19. Due to the uncertain and highly volatile situation, a forecast is currently very difficult. Based on our solid liquidity and high equity ratio, we consider ourselves well positioned for the next few months.

Breitenbach, August 2020

P. Kalantzis

Dr. Peter Kalantzis
Chairman of the
Board of Directors

Ch. Hennerkes

Dr. Christian Hennerkes
Chief Executive Officer

Financial Reporting

Consolidated income statement (unaudited)

in CHF 1,000	Note	1H 2020	1H 2019 Total
Net sales	6	119,509	154,754
Other operating income		920	1,336
Total income		120,429	156,090
Change in inventory of unfinished and finished goods		1,595	-656
Material cost		-54,181	-76,398
Gross profit		67,843	79,036
Personnel expenses		-41,651	-48,077
Depreciation on tangible and intangible fixed assets		-6,266	-7,171
Other operating expenses		-19,387	-21,251
Operating income before deconsolidation		539	2,537
Deconsolidation result	3	-11,486	-
Operating income (EBIT)		-10,947	2,537
Financial result	7	-2,232	-397
Ordinary profit		-13,179	2,140
Non-operating result		-596	-734
Earnings before taxes (EBT)		-13,775	1,406
Income taxes		-1,271	-1,963
Earnings after taxes (EAT)		-15,046	-557
Of which attributable to:			
- Shareholders of Von Roll Holding AG		-15,044	-555
- Non-controlling interests		-2	-2
Basic earnings after taxes per share (in CHF)		-0.0429	-0.0016
Diluted earnings after taxes per share (in CHF)		-0.0429	-0.0016
Weighted average number of shares outstanding		350,350,715	346,579,904

Consolidated balance sheet (unaudited)

Assets

in CHF 1,000	Note	30.06.2020	in %	31.12.2019	in %
Current assets					
Cash and cash equivalents		48,168		55,218	
Trade receivables		40,880		48,900	
Other receivables		8,280		12,216	
Inventories		37,929		42,044	
Accrued income and prepaid expenses		2,443		2,523	
Total current assets		137,700	57.0 %	160,901	58.1 %
Total non-current assets					
Property, plant and equipment		89,885		98,591	
Financial assets		352		351	
Intangible assets		7,154		9,218	
Other assets		2,319		3,052	
Deferred tax assets		4,063		4,649	
Total non-current assets		103,773	43.0 %	115,861	41.9 %
Total assets		241,473	100.0 %	276,762	100.0 %

Equity and liabilities

in CHF 1,000	Note	30.06.2020	in %	31.12.2019	in %
Liabilities					
Current liabilities					
Financial liabilities		–		5,905	
Trade payables		10,366		15,351	
Other liabilities		7,064		8,437	
Provisions		4,303		4,574	
Accrued expenses and deferred income		9,010		12,495	
Total current liabilities		30,743	12.8 %	46,762	16.9 %
Non-current liabilities					
Financial liabilities		3,490		1,035	
Post-employment benefit obligations		21,154		22,850	
Provisions		6,296		6,821	
Deferred tax liabilities		258		276	
Total non-current liabilities		31,198	12.9 %	30,982	11.2 %
Total liabilities		61,941	25.7 %	77,744	28.1 %
Equity					
Share capital		35,655		35,655	
Capital surplus		590,171		592,884	
Treasury shares		–29,099		–31,912	
Retained earnings		–416,559		–396,971	
Equity attributable to shareholders of Von Roll Holding AG		180,168	74.6 %	199,656	72.1 %
Non-controlling interests		–636	–0.3 %	–638	–0.2 %
Total equity		179,532	74.3 %	199,018	71.9 %
Total equity and liabilities		241,473	100.0 %	276,762	100.0 %

Consolidated cash flow statement (unaudited)

in CHF 1,000	Note	1H 2020	1H 2019
Cash flow from operating activities			
Earnings after taxes (EAT)		-15,046	-557
Adjustments for non-cash items		10,093	9,858
- Income taxes		1,271	1,963
- Financial result	7	2,232	397
- Depreciation and impairments (operating and non-operating)		6,590	7,498
Earnings before interest, taxes, depreciation and amortization (EBITDA)		-4,953	9,301
Profit (-) / Loss (+) from sale of fixed assets		258	174
Loss (+) from deconsolidation of Group companies	3	11,486	-
Interest received and other financial income		218	222
Interest paid and other financial expenses		-319	-420
Taxes paid		-1,270	-1,773
Increase (+) / decrease (-) in provisions		101	230
Increase (-) / decrease (+) in trade receivables		-3,681	-4,352
Increase (-) / decrease (+) in inventories		-4,941	1,472
Increase (+) / decrease (-) in trade payables		486	-2,340
Increase (-) / Decrease (+) in other net current assets		4,221	-3,743
Total cash flow from operating activities		1,605	-1,229
Cash flow from investing activities			
Capital expenditures for property, plant and equipment and intangible assets		-2,402	-1,876
Sale of tangible assets		363	43
Deconsolidation of Group companies	3	-1,528	-
Total cash flow from investing activities		-3,566	-1,833
Cash flow from financing activities			
Decrease in current financial liabilities		-6,217	-23,000
Increase in current financial liabilities		2,628	24,000
Purchase of treasury shares		-452	-971
Sale of treasury shares		552	845
Total cash flow from financing activities		-3,489	874
Increase (+) / decrease (-) in cash and cash equivalents		-5,450	-2,188
Cash and cash equivalents at January 1		55,218	71,418
Change in cash and cash equivalents		-5,450	-2,188
Effect of currency translations on cash and cash equivalents		-1,600	-108
Cash and cash equivalents at June 30		48,168	69,122

Consolidated statement of changes in equity (unaudited)

In the first half of 2020, consolidated equity changed as follows:

in CHF 1,000	Equity attributable to shareholders of Von Roll Holding AG							Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Offsetting goodwill	Currency effects	Other retained earnings	Total		
Balance as at January 1, 2020	35,655	592,884	-31,912	-10,968	-8,762	-377,241	199,656	-638	199,018
Earnings after taxes (EAT)	-	-	-	-	-	-15,044	-15,044	-2	-15,046
Purchase/sale of treasury shares	-	-2,713	2,813	-	-	-	100	-	100
Currency effects	-	-	-	-	-4,544	-	-4,544	4	-4,540
Balance as at June 30, 2020	35,655	590,171	-29,099	-10,968	-13,306	-392,285	180,168	-636	179,532

In the first half of 2019, consolidated equity changed as follows:

in CHF 1,000	Equity attributable to shareholders of Von Roll Holding AG							Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Offsetting goodwill	Currency effects	Other retained earnings	Total		
Balance as at January 1, 2019 IFRS	35,654	592,873	-35,281	-	-91,693	-267,904	233,649	-665	232,984
Change to FER	-	-	-	-10,968	85,596	-109,070	-34,442	-	-34,442
Balance as at January 1, 2019 FER	35,654	592,873	-35,281	-10,968	-6,097	-376,974	199,207	-665	198,542
Earnings after taxes (EAT)	-	-	-	-	-	-555	-555	-2	-557
Conversion of convertible bond	1	11	-	-	-	-	12	-	12
Purchase/sale of treasury shares	-	15	-141	-	-	-	-126	-	-126
Currency effects	-	-	-	-	-494	-	-494	2	-492
Balance as at June 30, 2019	35,655	592,899	-35,422	-10,968	-6,605	-377,515	198,044	-665	197,379

Condensed notes to the consolidated Semi-Annual Report (unaudited)

1. Accounting principles

General information

This report contains the consolidated semi-annual financial statements for the period ended June 30, 2020, of Von Roll Holding AG and its subsidiaries.

Von Roll Holding AG (the “company”) and its subsidiaries (collectively “Von Roll”) is an international manufacturing and services corporation. Its primary activities are outlined in the notes on the business segments (see note 5). The company is a publicly traded company listed on the Swiss stock exchange (SIX Swiss Exchange). Its domicile is at Passwangstrasse 20, 4226 Breitenbach, Switzerland.

Significant accounting policies

The 2020 Semi-Annual Report has been prepared in accordance with all guidelines set out in the Swiss GAAP FER Accounting and Reporting Recommendations and should be read in conjunction with the consolidated financial statements prepared for the financial year ended on December 31, 2019. This is because the consolidated semi-annual financial statements do not include all disclosures from the annual financial statements. The consolidated Semi-Annual Report presents a true and fair view of the financial position, the cash flows and the result of operations. The financial statements also comply with the provisions of the SIX Swiss Exchange Listing Rules and of the Swiss law on companies limited by shares.

The preparation of the Semi-Annual Report in accordance with Swiss GAAP FER requires the management to estimate values and to make assumptions that affect the income, expenses, assets and liabilities reported as well as the disclosure of contingent liabilities. If, in the future, these estimates and assumptions, based on the management’s best judgment at the date of the semi-annual financial statements, differ from the current circumstances, then the estimates will be modified in the period in which the circumstances change.

The consolidated semi-annual financial statements are presented in Swiss francs (CHF) and refer to thousands of CHF (TCHF). Due to the chosen number format, minor rounding differences may arise.

2. Change from IFRS to Swiss GAAP FER

Von Roll changed from IFRS to Swiss GAAP FER with the annual financial statements for the year ended December 31, 2019. The figures for the 2018 financial year have been retrospectively restated. The financial statements for the first half of 2019 were presented under IFRS Standards. The effects of these restatements on equity as at January 1, 2019, and on earnings in the first half of 2019, can be summarized as follows:

Effects on equity as at January 1, 2019:

in CHF 1,000	30.06.2019	1.1.2019	Remarks
Equity IFRS	234,129	232,984	
Goodwill offset	-10,433	-10,428	(1)
IAS 19 adjustment	-20,990	-18,486	(2)
Deferred taxes on IAS 19 adjustment	4,648	4,445	(3)
Effect of non-recognition of deferred taxes relating to tax loss carryforwards	-9,975	-9,973	(4)
Equity Swiss GAAP FER	197,379	198,542	

Effects on net income in the first half of the year:

in CHF 1,000	1H 2019	Remarks
Net income 2019 IFRS	892	
IAS 19 Adjustment	-1,556	(2)
Deferred taxes on IAS 19 adjustment	107	(3)
Effect of non-recognition of deferred taxes relating to tax loss carryforwards	-	(4)
Earnings after taxes (EAT) 2019 according to Swiss GAAP FER	-557	

(1) Goodwill from acquisitions

Goodwill from acquisitions is offset against equity at the time of acquisition in accordance with the option in Swiss GAAP FER 30 “Consolidated financial statements”. Under IFRS, goodwill was capitalized and tested annually for impairment.

(2) IAS 19 (Employee benefits)

In accordance with Swiss GAAP FER 16 “Pension benefit obligations,” financial obligations/benefits under Swiss pension plans are measured on the basis of the financial statements prepared in accordance with Swiss GAAP FER 26 “Accounting of pension plans”. Financial effects arising from the pension plans of foreign subsidiaries are measured using the locally applicable valuation methods. Under IFRS rules, defined benefit pension plans were calculated using the projected unit credit method and recognized in accordance with IAS 19.

The most significant adjustment was for the Swiss plan, which showed an economic benefit to be capitalized as calculated under IAS 19 rules. Under Swiss GAAP FER, this surplus is not considered an economic benefit because Von Roll is not entitled to reimburse and cannot show any employer contribution reserves. Accordingly, this surplus is not capitalized under Swiss GAAP FER.

(3) Deferred taxes on IAS 19

Deferred taxes are recognized for temporary differences between IFRS and the tax balance sheet. This item thus refers to the adjustments to employee benefits balance sheet items described above (assets and liabilities). Under IAS 19, the change is partially recorded through profit and loss and partially through other comprehensive income.

(4) No capitalization of deferred taxes on loss carryforwards

Under IFRS, deferred tax assets connected with tax loss carryforwards must be capitalized if certain conditions are met. Under Swiss GAAP FER, an option is available in this regard. As allowed under Swiss GAAP FER, Von Roll has elected not to capitalize future tax savings from offsettable tax loss carryforwards.

Further income statement effects of changing to Swiss GAAP FER are as follows:

- » In connection with the change to Swiss GAAP FER, cumulative translation differences were set at zero as at January 1, 2018, or offset against retained earnings.
- » The income statement is now presented using the nature of expense method. Under IFRS, Von Roll had opted for the function of expense method

Further balance sheet effects of changing to Swiss GAAP FER are as follows:

- » Assets under construction, investment properties and undeveloped land are shown separately.
- » Intangible assets have been expanded to include “internally developed intangible assets”

3. Changes in the scope of consolidation

Discontinuation of business units

With the announcement of May 26, 2020, an application was made to the commercial court to open judicial reorganization proceedings (“redressement judiciaire”) for the French production sites in Delle, France (Delle Fil SAS and Von Roll Isola France SA). The Board of Directors had previously decided not to provide any further funds to these companies. Bankruptcy proceedings were opened on May 28, 2020, for both companies.

By opening the judicial reorganization proceedings, Von Roll is spinning off two business units that had been making a loss for two years. Delle Fil SAS produced enameled and taped winding wires (Insulation segment) with around 100 employees at the site in Delle, France. Employing around 50 staff, Von Roll Isola France SA distributed and produced various composites (Composites segment), also at the site in Delle, France.

In the 2020 financial year, Delle Fil SAS contributed CHF 12.3 million to net sales and TCHF -130 to operating income (EBIT). Von Roll Isola France SA generated net sales of CHF 4.1 million and operating income (EBIT) of TCHF -552 in the current financial year. The aforementioned figures are included in operating income before deconsolidation.

A loss of around CHF 11.5 million is attributable to the deconsolidation of the two companies as at May 28, 2020. Of this, a loss of around CHF 8.6 million is attributable to Delle Fil SAS and a loss of around CHF 2.9 million to Von Roll Isola France SA.

The loss from deconsolidation mainly comprises the disposal of assets/liabilities (of which CHF 1.5 million in cash) and valuation allowances on receivables and loans to the companies leaving the Group.

4. Foreign currencies

The following exchange rates were applied for the translation of foreign currencies into Swiss francs (CHF):

Currency	Average rates		Closing rates	
	1H 2020	1H 2019	30.06.2020	31.12.2019
EUR	1.067	1.130	1.065	1.111
USD	0.967	0.998	0.951	0.976
GBP	1.232	1.287	1.167	1.239
INR	0.013	0.014	0.013	0.014
BRL	0.205	0.259	0.174	0.255
CNY	0.138	0.147	0.135	0.142

5. Business segments

The primary operating activities of Von Roll are divided into the two segments, Von Roll Insulation and Von Roll Composites, which form the basis for segment reporting. The Von Roll business segments encompass all activities relating to production processes.

The primary activities are as follows:

- » Von Roll Insulation – production and distribution of electrical insulation materials, winding wires, resins and varnishes
- » Von Roll Composites – production and distribution of composites

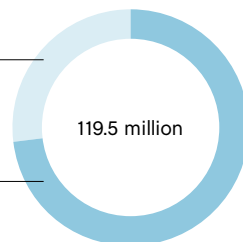
Net sales per business segment:

2020

in CHF

Composites
31.9 million

Insulation
87.6 million

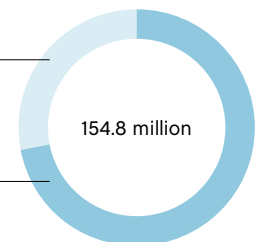


2019

in CHF

Composites
43.4 million

Insulation
111.4 million



The financial operating results per segment are not disclosed because continuing disclosure entails a risk of significant competitive disadvantage. The target markets within these segments are predominantly market niches with a relatively homogeneous product range. The key competitors in the markets relevant for Von Roll either are unlisted companies or do not disclose comparable segment information.

Geographical information

Net sales by geographic market:

in CHF 1,000	2020	in %	2019	in %	Variation
EMEA	66,303	55.5 %	81,767	52.8 %	-18.9 %
Americas	24,239	20.3 %	33,133	21.4 %	-26.8 %
Asia	28,967	24.2 %	39,854	25.8 %	-27.3 %
Von Roll	119,509	100.0 %	154,754	100.0 %	-22.8 %

6. Net sales

Net sales in the first half of 2020 were around CHF 35.2 million lower than in the first half of 2019. This is equivalent to a decrease of 22.8 %.

Taking account of the changes in the scope of consolidation, sales were CHF 24.3 million lower compared to the first half of 2019, which is equivalent to a decrease in the core business of around 15.7 %.

in CHF 1,000	2020	in %	2019	in %
Net sales	119,509	100.0 %	154,754	100.0 %
- Net sales Isola France	4,085		6,578	
- Net sales Delle Fil	12,302		18,358	
- Sale of adhesive tape business			2,382	
Net sales adjusted for the above effects	103,122		127,436	
Total changes	-24,314	-15.7 %		
- Currency effects	-5,323			
Total changes adjusted for currency effects	-18,991	-12.3 %		

7. Financial result

The volatility in the financial and capital markets associated with Covid-19 led to a devaluation of the currencies relevant for Von Roll (BRL, INR, USD, EUR).

8. Financial liabilities

Von Roll has the following convertible bonds outstanding:

in CHF 1,000	1.00% conv. bond 2016-22	1.25% conv. bond 2014-20
Liability component on issue net of issue costs	127,135	52,104
Amortization difference between liability component/redemption amount (cumulative)	9,526	4,597
Conversions of the bond into bearer shares (cumulative)	-135,621	-50,596
Repayment on maturity	-	-6,105
Net liability component (carrying amount) as at June 30	1,040	-
Open par value as at June 30	1,093	-

No rights were converted during the reporting period. The 1.25% convertible bond 2014 – 2020 matured on June 18, 2020, and was repaid on time.

9. Events after the balance sheet date

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

The Board of Directors approved the consolidated semi-annual financial statements for publication on August 14, 2020.

Business address and domicile

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In the event of any discrepancy, the printed German version prevails.

The Semi-Annual Report is available online at
www.vonroll.com

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