

**Groupe Acrotec SA
Develier**

Statutory Auditor's Report
Consolidated Financial Statements
December 31, 2020

Report of the statutory auditor to the General Meeting of Groupe Acrotec SA, Develier

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Groupe Acrotec SA, Develier and its subsidiaries (the Group), which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, including a summary of significant accounting policies as at December 31, 2020.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the 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 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.

Key Audit Matters (based on the circular 1/2015 of the Federal Audit Oversight Authority)

- Carrying value of goodwill
- Valuation of inventories

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

Carrying value of goodwill

Areas of focus

Carrying value of goodwill was deemed a key audit matter as goodwill is significant to the consolidated financial statements, with a value of CHF 247.7 million representing 41.7% of total assets. The determination of the amortization period of acquired goodwill, the identification of impairment indicators and the performance of the impairment test give significant scope for judgement to the Board of Directors and management. In assessing the recoverable value of goodwill, the Board of Directors and management are required to estimate future cash flows and to make assumptions relating to future profitability, including revenue growth and operating margins. They are also required to determine an appropriate discount rate. The outcome of the impairment assessments and by the same way the carrying value of goodwill could vary significant if different judgements are applied.

Our audit response

Goodwill is amortized in accordance with group accounting policies over a 20 years period. The identification of impairment indicators and the performance of impairment testing of goodwill are based on a process defined by the Board of Directors. The identification of impairment indicators is done with the EBITDA multiple method. In case of impairment indicators, the recoverable value of the corresponding goodwill is determined based on management's estimation of the future cash flows.

We considered the controls implemented by management for the annual review of the goodwill useful lives, the identification of impairment indicators and in determining the recoverable value of goodwill presenting impairment indicators.

We assessed the factor used by management in applying the EBITDA multiple method based on reliable and independent data.

For goodwill presenting impairment indicators, we assessed the accuracy of the impairment test applied to significant amounts of goodwill, the appropriateness of the assumptions and the methodology used by management to prepare its cash-flows forecasts. We challenged management as to the feasibility of reaching the expected cash flows. In addition, we assessed the main parameters used in the calculation of the weighted average cost of capital from which the discount rate is derived.

For further information on Carrying value of goodwill, refer to the following:

- Note 2.k, "Summary of significant accounting policies" – "Intangible assets"
- Note 12, "Intangible assets"

Valuation of inventories

Areas of focus

Inventory of CHF 58.4 million is a material balance for the Group, which requires management judgement in determining an appropriate costing basis for each subsidiary depending on its activity and assessing if the value is lower than the net realizable value of the inventory on hand at year-end.

There are also judgements required in determining inventory excess and obsolescence provisions as these are based on forecast inventory usage and assessing if the provision level is adequate.

Since the Group is in a phase of growth, including through acquisition, the costing is improved progressively. As observed in the past, management pursued the improvement of the costing in various production entities to be fully aligned with Group requirements.

Our audit response

We performed the following audit procedures to assess the valuation of the inventories:

We compared the inventory excess and obsolescence provisions to the group's policy and audited management's judgement by performing a review of the level of provisions as well as understanding the levels of demand for significant items. We investigated manual adjustments made to the mechanical application of the inventory obsolescence provisioning policy and assessed whether they were valid and in line with the final excess and obsolescence provision.

We verified that the costing methods implemented in several entities during the year, as well as the accounting treatment of the change and the corresponding disclosures were aligned with Swiss GAAP FER and Group accounting policies requirements.

For further information on Valuation of inventories, refer to the following:

- Note 2.h, "Summary of significant accounting policies" – "Inventories"
- Note 8, "Inventories"
- Note 26, "Extraordinary result"

Responsibility 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 Swiss GAAP FER 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 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1item 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.

MAZARS SA

Michael Ackermann
Licensed Audit Expert
(Auditor in Charge)

Fiona Rochat
Licensed Audit Expert

Lausanne, April 28, 2021

Enclosure

- Consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements)

Consolidated Balance sheet

Assets (CHF)	Notes	31/12/2020	31/12/2019
Cash and cash equivalents		64'475'312	64'916'827
Financial assets	10	894'364	762'364
Receivables from goods and services	6	30'133'825	35'186'618
Other short-term receivables	7	3'621'120	3'333'709
Inventories	8	58'373'944	56'977'708
Prepayments and accrued income	9	2'538'741	2'117'501
Current assets		160'037'305	163'294'727
Financial assets	10	7'491'115	9'496'482
Property, plant and equipment	11	150'738'062	157'754'966
Intangible assets	12	273'730'214	285'470'066
Deferred tax assets	18	1'850'406	583'804
Non-current assets		433'809'797	453'305'317
Assets		593'847'102	616'600'045
Liabilities and equity (CHF)	Notes	31/12/2020	31/12/2019
Payables from goods and services	13	8'816'343	11'951'856
Financial liabilities	14	138'629'425	19'558'816
Other short-term liabilities	15	10'577'646	11'415'790
Accrued liabilities and deferred income	16	7'516'765	8'240'969
Short-term provisions	17	7'410'018	31'908'327
Current liabilities		172'950'197	83'075'758
Financial liabilities	14	187'827'951	300'884'455
Deferred tax liabilities	18	22'704'735	22'766'027
Other long-term liabilities	15	950'421	896'696
Long-term provisions	17	3'313'000	6'485'877
Non-current liabilities		214'796'107	331'033'055
Liabilities		387'746'304	414'108'812
Share capital	19	100'000	100'000
Capital reserves		160'210'894	160'210'894
Retained earnings		44'803'694	41'301'564
Translation differences		-819'720	-539'785
Equity attributable to owner of Acrotec Group		204'294'868	201'072'673
Non-controlling interests		1'805'930	1'418'560
Liabilities and equity		593'847'102	616'600'045

Consolidated income statement

in CHF	Notes	2020	2019
Net sales from goods and services	3 / 20	244'303'836	223'360'719
Other operating income		184'499	16'231
Change in inventory of finished and unfinished goods	8	71'014	6'013'062
Operating revenues		244'559'350	229'390'012
Material purchases	21	-74'804'798	-68'623'005
Personnel expenses	22	-92'686'030	-83'063'019
Other operating expenses	23	-19'166'548	-15'647'838
Operating expenses		-186'657'376	-167'333'862
Earnings before interest, tax and amortisation (EBITDA)		57'901'973	62'056'150
Depreciation and impairment on tangible fixed assets	11	-18'923'145	-14'667'391
Amortisation and impairment on intangible fixed assets	12	-20'270'431	-16'256'394
Total amortisation and depreciation		-39'193'576	-30'923'785
Earnings before interest and tax (EBIT)		18'708'397	31'132'365
Net financial result	24	-11'256'616	-8'464'682
Ordinary profit		7'451'781	22'667'683
Non-operating result	25	289'197	-726'837
Extraordinary result	26	1'196'778	-1'338'895
Profit before income taxes		8'937'757	20'601'951
Income taxes	18	-5'048'256	-6'712'304
Profit for the year		3'889'500	13'889'646
Attributable to shareholders of Groupe Acrotec SA		3'502'130	13'483'956
Attributable to non-controlling interests		387'370	405'690
Earnings per shares (EPS) - in CHF per share :			
Bearer shares			
Basic earnings per share	4	3'502	13'484
Diluted earnings per share	4	3'502	13'484

Consolidated statement of cash flows

in CHF	Notes	2020	2019
Profit for the year		3'889'500	13'889'646
Depreciation and impairment on tangible fixed assets	11	18'923'145	14'667'391
Amortisation and impairment on intangible fixed assets	12	20'270'431	16'256'394
Change in bad debt allowance	23	-48'746	-221'637
Result on the disposal of PPE	11	450'529	-103'724
Result on the sale of gold	8	-	-455'597
Changes in deferred tax	18	-1'304'214	30'475
Finance costs	24	11'256'616	8'464'682
Other expense / income without cash impact		2'306'884	321'563
Changes in short term provisions	17	-89'704	394'208
Changes in long term provisions	17	-135'000	146'000
Changes in working capital		-1'589'279	-8'544'899
Changes in other long-term liabilities		50'719	42'389
Cash flow from operating activities		53'980'882	44'886'891
Acquisition of financial assets		-325'849	-1'420'054
Proceeds from the disposal of financial assets		402'486	-
Proceeds from disposal of property, plant and equipment	11	5'740'580	256'951
Purchase of gold	8	-547'500	-
Proceeds from sale of gold	8	-	4'944'500
Purchase of property, plant and equipment	11	-8'537'053	-10'475'533
Purchase of intangible assets	12	-3'863'308	-2'868'226
Acquisition of subsidiaries, net of cash acquired	27	-32'199'522	-57'717'194
Cash flow from investing activities		-39'330'166	-67'279'555
Dividends paid to non-controlling interests		-	-245'320
Changes in short-term financial liabilities		117'115'043	-8'873'462
Changes in long-term financial liabilities		-120'902'930	66'259'665
Interest paid		-11'256'616	-8'270'190
Cash from financing activities		-15'044'503	48'870'692
Change in cash and cash equivalents		-393'787	26'478'028
At beginning of year		64'916'827	38'788'300
Net foreign exchange difference		-47'728	-349'501
At end of year		64'475'312	64'916'827
Change in cash and cash equivalents		-393'787	26'478'028

Consolidated statement of change in equity

In CHF	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Total		
Balance at 1 January 2019	100'000	160'210'894	512'957	27'817'607	188'641'458	1'258'190	189'899'648
Net income	-	-	-	13'483'956	13'483'956	405'690	13'889'646
Dividends paid	-	-	-	-	-	-245'320	-245'320
Translation differences	-	-	-1'052'742	-	-1'052'742	-	-1'052'742
Balance at 31 December 2019	100'000	160'210'894	-539'785	41'301'564	201'072'673	1'418'560	202'491'233
Net income	-	-	-	3'502'130	3'502'130	387'370	3'889'500
Translation differences	-	-	-279'935	-	-279'935	-	-279'935
Balance at 31 December 2020	100'000	160'210'894	-819'720	44'803'694	204'294'868	1'805'930	206'100'798

Notes to the consolidated financial statements

1. Corporate information

Groupe Acrotec SA (the Company) and its subsidiaries (collectively the Group) are operating in the medical, micromechanical and watchmaking sectors. The Group supplies high quality Swiss made products to a diverse customer base.

The Company is a limited company incorporated and domiciled in Switzerland. Its registered office is located at Chemin de la Combatte 7, 2802 Develier.

These consolidated financial statements were approved for issue by the Board of Directors on 27 April 2021.

2. Summary of significant accounting policies

a. Basis of preparation

These consolidated financial statements provide a true and fair view of Groupe Acrotec's assets, financial position and earnings, and have been drawn up in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The consolidated financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs and on the going concern principle. The statements are presented in Swiss francs (CHF) without cents which may create some insignificant differences due to roundings.

Changes in comparative figures

Some comparative figures have been restated to improve the quality of the published data, without impact on consolidated profit for the year 2019 :

- Waste material sales reclassified from other operating income to material purchases
- Direct energy costs and direct tooling costs reclassified from other operating expense to material purchases

b. Consolidation policies; business combinations and goodwill

The Group companies include all companies that are directly or indirectly controlled by Groupe Acrotec SA. Companies over which the Group exercises joint control are consolidated by the proportional method. In this respect, control is defined as the ability to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights of share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases. Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. The goodwill resulting from acquisitions is recognized in the non-current assets. The Notes to the consolidated financial statements disclose the effects of capitalization and amortization of the acquired goodwill (see Note 27). In the event that shares of the are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the income statement.

Non-controlling interests in equity and in net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated in full. Representation on the Board of Directors or access to the current financial information of a company are also indicators of significant influence.

Notes to the consolidated financial statements

c. Scope of consolidation

At 31 December 2020, the Group's consolidation structure comprised 35 legal entities (2019: 35), 34 are fully consolidated and one is proportionally consolidated. Note 28 includes a complete list of Group companies. The business of Vardeco Inc, a US company owned by the Group, was expanded during the year 2020. It is therefore included in the scope of consolidation; it was integrated on January 1, 2020.

d. Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain accounting estimates and judgments. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under the given circumstances. Real results may differ from these estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Any changes are recognized in the period in which the estimate is revised.

Acrotec Group has assessed the consequences of the COVID-19 pandemic on the financial statements as per 31.12.2020, especially considering the impacts on key judgements and significant estimates.

e. Foreign currency translation

Foreign currency translation

Transactions in foreign currencies are translated to Swiss francs at their respective spot rate at transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at foreign exchange rates ruling at the dates the values were determined.

Conversion of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated at rates of exchange ruling at the balance sheet date, while items of income statement are translated at average exchange rates of the year. The conversion of equity is carried out at historical rates. Foreign currency translation gains or losses due to the conversion of financial statements are offset against shareholders' equity, through a Cumulative Translation Adjustment Reserve.

The following exchange rates against Swiss Francs have been used to translate consolidated financial statements:

Currency	Unit	Average rate	Prevailing	Average rate	Prevailing
		2020	31/12/2020	2019	31/12/2019
		CHF	CHF	CHF	CHF
EUR	1.00	1.0822	1.0705	1.1125	1.0874
USD	1.00	0.8812	0.9381	0.9937	0.9683

Notes to the consolidated financial statements

f. Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

g. Receivables from goods and services

Receivables from goods and services are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Impairment is charged for receivables which are either more than 12 months overdue or for which specific risks have been identified. Bad debts are written off when there is objective evidence that the Group will not be able to collect the receivables. Allowances for impaired receivables as well as losses on trade receivables are recognized as other operating expenses.

h. Inventories

Inventories are valued at the lower of acquisition or production cost and fair value less cost to sell. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition. Acquisition costs are determined according to the weighted average cost method, although some production companies value their own produced inventories using the standard cost method or the retail method depending on their activity. As these costs and the margin for the retail method are regularly reviewed and updated, this method approximates the result of the weighted average method.

i. Financial assets

Long term financial assets are recognized at nominal values. Any transaction income incurred is posted directly in the income statement. Financial assets are shown on the balance sheet as non-current assets. Financial assets which are convertible to cash at least 12 months after the balance sheet date are presented as current assets and are evaluated at current value.

j. Property, plant and equipment

Property, plant and equipment are recorded on the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the profit and loss account for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

– Land	none
– Buildings	50 years
– Vehicles	4 years
– Machines and technical equipment	10, 15 and 20 years according to the type of machines
– Measuring instruments, tools and processing equipment	10 years
– Furniture	5 and 10 years according to the type of furniture
– IT equipment	3 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary. The Group does not capitalize any interest expenses incurred during the construction period.

Notes to the consolidated financial statements

k. Intangible assets

Goodwill

The difference between the acquisition costs and the actual value of the net identifiable assets of the acquired company at the time of the purchase represents goodwill from business combinations. The goodwill resulting from acquisitions is recognized in Group long term assets at the time of the acquisition and amortized over a 20 years period.

Capitalized development costs

Research costs are expensed when incurred. Development costs are only capitalized if they can be identified as intangible assets that will generate economic benefits in the future and the costs can be measured reliably. Other development costs, as validation by competent authorities, are expensed when incurred. Once a product enters commercial production, the capitalized development costs are amortized on a straight-line basis over the estimated useful life that may vary from 2 to 5 years.

Customer relationship

Customer relationships are acquired through business combinations and are amortised on a straight-line basis over the estimate useful life of 10 years.

Software

Purchased licenses giving the right to use new technologies or software are capitalized and are amortized over their estimated life, which is three years. Internally developed software is capitalized if it is probable that future economic benefits will be generated. The costs include the costs of in-house software development personnel and the direct share of related overheads. Costs capitalized on the balance sheet are amortized on a straight-line basis over the economic life (maximum three years).

Other intangible assets

Other intangible assets relate licenses and rights of use as well as prepayments of intangible assets. Licences and right of use are amortized on a straight-line basis over the estimated useful life that may vary from 2 to 5 years.

l. Impairment of assets

The recoverable value of non-current assets (including goodwill) is verified at every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement. In the event that a Group company is sold, any goodwill acquired at an earlier point in time is taken into consideration when determining the gain or loss in the income statement.

m. Provisions

Provisions are recognized:

- when the Group has a present legal or constructive obligation as a result of past events,
- when it is probable that an outflow of resources will be required to settle the obligation, and
- when a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision in function of time is recognized as interest expense.

Notes to the consolidated financial statements

n. Financial liabilities

Financial debts are recognized as nominal values. Any transaction costs incurred are posted directly to the income statement, except for the cost of bonds that are capitalized as financial investment and recognized as a financial expense over the duration of the liability. Financial debts are shown on the balance sheet as current liabilities, unless the Group has an unconditional right to postpone the settlement of the debt until at least 12 months after the balance sheet date.

o. Income taxes

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

Current income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply. Deferred tax assets are recognized for all deductible temporary differences, carry forward tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is not intended that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p. Pensions and other post-employment benefits

Pension obligations

Group companies operate various pension schemes, which conform to the legal regulations and provisions in force. The actual economic effects of pension schemes on the Group are calculated at the balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a liability are met. An economic benefit is capitalized provided that this can be used for future Group pension contributions. Freely available employer contribution reserves are capitalized.

Employees of Acrotec Group companies are insured as part of separate legal entities and financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

Notes to the consolidated financial statements**q. Share capital and treasury shares**

Shares issued by Acrotec Group are recognized in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares, each with a nominal value of CHF 100. Each share carries one vote and confer equal entitlement to dividends.

Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

r. Sales and revenue recognition

Net sales include the inflow of economic benefits from the sale of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions, credit card fees and any value added tax have been deducted from net sales reported. All intercompany sales are eliminated during consolidation.

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectability of the related receivables is reasonably secured. Revenue from services is recognized in the accounting period in which the service is rendered. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract.

s. Dividends

Dividend payments to shareholders are recognized in the Group's financial statements in the period in which the Annual General Meeting of the holding company has given its approval.

t. Leases**Finance leases**

A finance lease is where the lessor transfers to the lessee practically all of the risks and rewards associated with the ownership of the leased item. At the beginning of the term of the lease contract, the lower of the fair value of the leased item or net present value of the future lease payments is shown on the balance sheet as assets and liabilities. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly in the income statement as expenditure. Capitalized leased assets are depreciated over the lower of estimated economic useful life of the asset or contract period.

Operating leases

An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

u. Non-operating activities

Non-operating result is expense and income which arise from events or transactions that clearly differ from the usual business activities of the organisation. Expense and income from non-operating tangible fixed assets also form part of the non-operating result.

v. Extraordinary

Expense and income which arise extremely rarely in the context of the ordinary operations and which are not predictable are considered as extraordinary.

Notes to the consolidated financial statements

3. Segment information

a. Operating segment information

Operating segments are reported consistently with the internal reporting provided to the Management Board. Although the Group operates in different sectors, its various activities are aggregated in three reportable operating segments that are:

Watches & Jewellery	Shock absorbers, spring barrels, oscillating weights, manufacturing jewels, microengineering, precise and adapted tools for Swiss horology manufacturers and various other mission-critical components and products for the jewellery sector.
Precision High Tech	High value added connectors for various end-markets such as automotive, aerospace and metal cut parts that go into turbochargers.
MedTech	High value added components for various MedTech sub-sectors such as hospital equipment (including dialysis and diagnostics machinery), trauma, dental and surgery.

The reportable operating segments mainly generate their revenues from the manufacture and the sale of products to third parties. Corporate services do not qualify as a segment but are shown separately. They include the activities of the Group's holding, finance and other administrative services.

2020 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	121'692'209	63'338'923	57'438'426	-	-	242'469'559
- Parents companies	1'311'543	-	-	-	-	1'311'543
- Shareholders of the ultimate parent	-	-	522'734	-	-	522'734
Net Sales	123'003'753	63'338'923	57'961'160	-	-	244'303'836
Operating result	34'368'661	11'776'790	12'318'466	-561'945	-	57'901'973
In % of net sales	27.9%	18.6%	21.3%			23.7%

Inter-company transactions are presented net of impact.

2019 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	134'738'926	68'200'075	19'510'772	-	-	222'449'773
- Parents companies	910'945	-	-	-	-	910'945
Net Sales	135'649'871	68'200'075	19'510'772	-	-	223'360'719
Operating result	40'787'522	16'330'703	4'671'891	266'034	-	62'056'150
In % of net sales	30.1%	23.9%	23.9%			27.8%

Inter-company transactions are presented net of impact.

b. Information on geographical regions

in CHF	2020		2019	
	Net Sales	Operating result *	Net Sales	Operating result *
- Switzerland	149'654'734	42'738'900	146'712'290	45'946'275
- Other Europe	73'061'691	11'984'912	58'718'182	12'179'570
Total Europe	222'716'424	54'723'812	205'430'473	58'125'845
Total America	16'447'216	2'492'772	13'053'402	3'113'850
Total Asia	5'137'898	685'124	4'876'844	816'456
Total Rest of the world	2'298	265	-	-
Total Oceania	2'298	265	-	-
Total:	244'303'836	57'901'973	223'360'719	62'056'150

* Operating result is calculated on the basis of the percentage of EBITDA of individual companies.

Notes to the consolidated financial statements

4. Earnings per share

a) Basic

	2020	2019
Net income attributable to shareholders of Groupe Acrotec SA (in CHF)	3'502'130	13'483'956
Percentage of registered shares outstanding in comparison with the share capital outstanding	100%	100%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	0%	0%
Registered shares		
Net income attributable to registered shareholders	3'502'130	13'483'956
Average number of shares outstanding	1'000	1'000
Basic earnings per shares (in CHF)	3'502	13'484
Bearer shares		
Net income attributable to bearer shareholders	-	-
Average number of shares outstanding	-	-
Basic earnings per shares (in CHF)	-	-

b) Diluted

	2020	2019
Registered shares		
Net income attributable to registered shareholders	3'502'130	13'483'956
Average number of shares outstanding (basic)	1'000	1'000
Potential number of shares from options outstanding	-	-
Average potential number of shares outstanding (diluted)	1'000	1'000
Diluted earnings per shares (in CHF)	3'502	13'484
Bearer shares		
Net income attributable to bearer shareholders	-	-
Average number of shares outstanding (basic)	-	-
Potential number of shares from options outstanding	-	-
Average potential number of shares outstanding (diluted)	-	-
Diluted earnings per shares (in CHF)	-	-

5. Dividends paid and proposed

The Annual General Meeting approved that no dividends be paid during 2020 and 2019.

Notes to the consolidated financial statements

	31/12/2020	31/12/2019
6. Receivables from goods and services		
Trade receivables from third parties - gross value	31'104'498	36'235'251
Trade receivables from parents companies	227'721	200'749
Trade receivables from shareholders of the ultimate parent	426	-
Allowance for impaired receivables	-1'198'820	-1'249'381
	30'133'825	35'186'618
7. Other short-term receivables		
Other receivables from third parties	3'601'194	3'324'909
Other receivables from shareholders of the ultimate parent	19'926	8'800
	3'621'120	3'333'709
8. Inventories		
Raw materials, auxiliary material and supplies	16'658'562	16'565'116
WIP (Work in progress)	29'305'569	23'440'049
Advanced payment related to goods in progress	-3'769'429	-2'347'634
Finished goods	26'832'869	28'968'488
Allowance for impaired inventories	-10'653'628	-9'648'311
	58'373'944	56'977'708
8.1 Explanation of balance sheet variation		
Change in inventory of finished and unfinished goods as well as unbilled goods and services	71'014	6'013'062
Change in inventory of raw material expense	36'344	207'167
Net change in estimate for inventories valuation (Note 26)	710'370	-1'298'231
Purchase / (sale) of gold (Note 31.d)	547'500	-4'488'903
Exchange rate impact	31'007	-
	1'396'236	433'095
9. Prepayments and accrued income		
Prepayment and accrued income from third parties	2'538'741	1'637'501
Prepayment and accrued income to parent companies	-	480'000
	2'538'741	2'117'501
10. Financial assets		
Investment portfolio	610'095	762'364
Equity investment	-	55'000
Financial assets to third parties	3'887'238	3'895'100
Allowance for impaired financial assets	-365'477	-270'848
Capitalized financial expenses	1'169'097	1'169'098
Assets from employers contributions reserves to pension institutions (refer to note 29)	3'084'526	4'648'132
	8'385'479	10'258'846
Current	894'364	762'364
Non-current	7'491'115	9'496'482

In fiscal year 2020, due to COVID, the Group used CHF 1'929'710 of employer contribution reserves without impact on personal costs. At the end of the year a small part of the employers contribution reserves of CHF 308'888 was reconstituted.

Notes to the consolidated financial statements

11. Property, plant and equipment

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
Historical cost, 31 December 2019	2'075'366	82'161'729	199'277'342	32'326'440	2'840'957	318'681'834
Additions	-	326'197	13'266'665	2'855'619	1'918'869	18'367'350
Disposals	-1'813'000	-4'803'529	-2'709'183	-1'608'568	-343'639	-11'277'920
Transfers	-	-58'749	2'452'084	30'414	-2'423'749	-
Exchange rate impact	-	-102'518	-156'008	-66'547	-195	-325'267
Historical cost, 31 December 2020	262'366	77'523'129	212'130'900	33'537'358	1'992'242	325'445'997
Accumulated depreciation, 31 December 2019	-	-30'381'271	-108'488'021	-22'057'575	-	-160'926'867
Annual depreciation	-	-1'305'954	-14'616'262	-3'000'929	-	-18'923'145
Depreciation on disposals	-	976'718	2'616'844	1'408'389	-	5'001'950
Exchange rate impact	-	28'527	62'000	49'602	-	140'129
Accumulated depreciation, 31 December 2020	-	-30'681'980	-120'425'439	-23'600'514	-	-174'707'934
Net book values :						
Balance at 31 December 2019	2'075'366	51'780'458	90'789'320	10'268'865	2'840'957	157'754'966
Balance at 31 December 2020	262'366	46'841'149	91'705'461	9'936'844	1'992'242	150'738'062

These figures included leased machinery for CHF 31'279'865 (CHF 41'533'743 less accumulated depreciation of CHF 10'253'878), leased equipment for CHF 3'511'796 (CHF 4'775'978 less accumulated depreciation of CHF 1'264'182), leased vehicles for CHF 2'434'795 (CHF 3'712'690 less accumulated depreciation of CHF 1'277'896) and leased IT for CHF 288'967 (CHF 913'314 less accumulated depreciation of CHF 624'348).

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
Historical cost, 31 December 2018 restated*	2'075'366	48'687'372	129'807'333	21'424'385	983'011	202'977'467
Acquisition of subsidiaries (Note 27)	-	33'067'292	55'028'956	8'844'719	749'411	97'690'379
Additions	-	598'631	16'764'305	3'319'468	2'075'922	22'758'325
Disposals	-	-	-2'306'602	-790'197	-	-3'096'799
Transfers	-	-	969'210	-1'823	-967'388	-
Exchange rate impact	-	-191'566	-985'860	-470'112	-	-1'647'538
Historical cost, 31 December 2019	2'075'366	82'161'729	199'277'342	32'326'440	2'840'957	318'681'834
Accumulated depreciation, 31 December 2018 restated*	-	-18'121'535	-65'618'275	-15'365'451	-	-99'105'260
Acquisition of subsidiaries (Note 27)	-	-11'394'933	-33'728'984	-5'657'412	-	-50'781'329
Annual depreciation	-	-896'815	-11'588'786	-2'156'271	-	-14'641'872
Impairment	-	-	-9'471	-16'048	-	-25'519
Depreciation on disposals	-	-5'106	2'003'047	755'403	-	2'753'344
Transfers	-	-	-1'337	1'337	-	-
Exchange rate impact	-	37'118	455'782	380'869	-	873'769
Accumulated depreciation, 31 December 2019	-	-30'381'271	-108'488'021	-22'057'575	-	-160'926'867
Net book values :						
Balance at 31 December 2018 restated*	2'075'366	30'565'837	64'189'058	6'058'934	983'011	103'872'207
Balance at 31 December 2019	2'075'366	51'780'458	90'789'320	10'268'865	2'840'957	157'754'966

* Software reclassified from tangible to intangible assets

In 2019, impairment is related to technical equipment and furniture that were no longer used.
The total amount of advanced payments recorded in 2019 as PPE is CHF 2'840'957.

These figures included leased machinery for CHF 29'358'901 (CHF 37'317'286 less accumulated depreciation of CHF 7'958'385), leased equipment for CHF 2'366'065 (CHF 3'285'096 less accumulated depreciation of CHF 919'031), leased vehicles for CHF 2'039'535 (CHF 3'241'770 less accumulated depreciation of CHF 1'202'235) and leased IT for CHF 306'474 (CHF 839'905 less accumulated depreciation of CHF 533'430).

Notes to the consolidated financial statements

12. Intangible assets

	Goodwill	Capitalized development costs	Customer relationship	Software	Other intangible assets	Total
Historical cost, 31 December 2019	312'321'212	8'717'063	19'627'880	2'542'801	486'472	343'695'429
Acquisition of subsidiaries (price adjustment) (Note 27)	4'753'039	-	-	-	-	4'753'039
Additions	-	2'645'352	-	660'989	516'165	3'822'506
Disposals	-	-31'418	-	-	-21'794	-53'213
Transfers	-	39'014	-	-	-39'014	-
Exchange rate impact	-	-1'453	-7'775	-8'525	533	-17'220
Historical cost, 31 December 2020	317'074'251	11'368'558	19'620'105	3'195'265	942'362	352'200'541
Accumulated amortisation 31 December 2019	-53'495'895	-2'574'037	-503'108	-1'319'614	-332'707	-58'225'362
Annual amortisation	-15'846'046	-1'898'734	-1'960'265	-457'629	-107'758	-20'270'431
Exchange rate impact	-	-42	2'803	22'705	-	25'466
Accumulated amortisation, 31 December 2020	-69'341'941	-4'472'813	-2'460'570	-1'754'538	-440'465	-78'470'327
Net book values :						
Balance at 31 December 2019	258'825'316	6'143'026	19'124'772	1'223'187	153'765	285'470'066
Balance at 31 December 2020	247'732'310	6'895'744	17'159'535	1'440'727	501'897	273'730'214

	Goodwill	Capitalized development costs	Customer relationship	Software	Other intangible assets	Total
Historical cost, 31 December 2018 restated*	268'872'491	4'069'079	-	1'248'760	332'707	274'523'037
Acquisition of subsidiaries (Note 27)	43'448'721	2'901'118	19'680'758	352'876	-	66'383'474
Additions	-	1'754'979	-	959'481	153'765	2'868'226
Exchange rate impact	-	-8'114	-52'878	-18'317	-	-79'308
Historical cost, 31 December 2019	312'321'212	8'717'063	19'627'880	2'542'801	486'472	343'695'429
Accumulated amortisation 31 December 2018 restated*	-39'573'300	-1'111'898	-	-498'149	-332'707	-41'516'054
Acquisition of subsidiaries (Note 27)	-	-190'441	-	-279'888	-	-470'329
Annual amortisation	-13'922'595	-1'271'698	-503'108	-372'075	-	-16'069'477
Impairment	-	-	-	-186'917	-	-186'917
Exchange rate impact	-	-	-	17'414	-	17'414
Accumulated amortisation, 31 December 2019	-53'495'895	-2'574'037	-503'108	-1'319'614	-332'707	-58'225'362
Net book values :						
Balance at 31 December 2018 restated*	229'299'190	2'957'182	-	750'611	-	233'006'984
Balance at 31 December 2019	258'825'316	6'143'026	19'124'772	1'223'187	153'765	285'470'066

* Software reclassified from tangible to intangible assets

Notes to the consolidated financial statements

13. Payables from goods and services	31/12/2020	31/12/2019
Payables to third parties	8'736'160	11'948'287
Payables to parent companies	3'686	3'569
Payables to shareholders of the ultimate parent	76'498	-
	8'816'343	11'951'856

14. Financial liabilities

At 31 December 2020	Up to 1 year	Between 1 and 5 years	Overs 5 years	Total
Liabilities to third parties	1'249'057	-	-	1'249'057
Liabilities to shareholders of the ultimate parent	6'411'450	-	-	6'411'450
Bank debts	15'034'391	3'761'651	17'346	18'813'387
Mortgages	811'020	12'580'080	9'043'501	22'434'601
Leases	9'123'507	17'425'374	-	26'548'881
Bonds	106'000'000	145'000'000	-	251'000'000
Total at 31 December 2020	138'629'425	178'767'105	9'060'846	326'457'376

At 31 December 2019	Up to 1 year	Between 1 and 5 years	Overs 5 years	Total
Liabilities to third parties	766'118	250'000	-	1'016'118
Liabilities to shareholders of the ultimate parent	7'931'852	6'972'950	-	14'904'802
Bank debts	1'944'131	3'440'571	-	5'384'701
Mortgages	661'020	13'194'080	9'649'011	23'504'111
Leases	8'255'695	16'377'843	-	24'633'538
Bonds	-	176'000'000	75'000'000	251'000'000
Total at 31 December 2019	19'558'816	216'235'444	84'649'011	320'443'271

On 16 October 2019 bonds were issued on the SIX Swiss Exchange with a principal amount of CHF 75'000'000.-, an interest rate of 3.5% and at a issue price of 100.00%. The maturity date is 16 October 2025 (*Duration: 6 years*).

On 14 June 2017 bonds were issued on the SIX Swiss Exchange with a principal amount of CHF 70'000'000.-, an interest rate of 3.75% and at a issue price of 100.00%. The maturity date is 14 June 2023 (*Duration: 6 years*).

On 22 September 2016 bonds were issued on the SIX Swiss Exchange with a principal amount of CHF 106'000'000.-, an interest rate of 4% and at a issue price of 100.00%. The maturity date is 22 November 2021 (*Duration: 5 years and 2 months*).

Collateral:

Mortgages and Leases: Fixed assets financed by leases or mortgages are pledged. Refer to note 31.

Bonds: The Bonds have the benefit of unconditional and irrevocable guarantees from certain subsidiaries of the Group.

In 2020, 23 group companies received COVID loans for a total amount of CHF 12'166'398. As at 31.12.2020, they are presented in bank debts up to 1 year. All COVID loans were repaid between January and April 2021.

During the period of COVID-19 credit recourse, the company cannot distribute dividends or directors' fees, or repay capital contributions. In addition, other restrictions apply to the granting and repayment of loans to group companies and owners. During the validity of the ordinance, investments in fixed assets that were not replacement assets were not allowed.

15. Other liabilities	31/12/2020	31/12/2019
Third parties	6'985'183	6'991'447
Patronage fund	1'464'433	1'248'140
Tax provision	3'004'050	3'655'482
Other liabilities to shareholders of the ultimate parent	74'401	417'418
	11'528'066	12'312'487
Other short-term liabilities	10'577'646	11'415'790
Other long-term liabilities	950'421	896'696

16. Accrued liabilities and deferred income	31/12/2020	31/12/2019
Other accrued liabilities due to third parties	7'356'533	7'509'682
Other accrued liabilities due to shareholders of the ultimate parent	160'232	731'287
	7'516'765	8'240'969

Notes to the consolidated financial statements

17. Provisions

	Restructuring provision	Earnout to shareholder	Other provisions	Total
At 1 January 2020	-	36'101'082	2'293'122	38'394'204
Acquisition of subsidiaries (price adjustment)	-	2'966'835	-	2'966'835
Creation	-	-	1'854'005	1'854'005
Utilisation	-	-30'413'317	-1'747'337	-32'160'654
Released	-	-	-331'372	-331'372
At 31 December 2020	-	8'654'600	2'068'418	10'723'018
Current	-	5'502'600	1'907'418	7'410'018
Non-current	-	3'152'000	161'000	3'313'000

	Restructuring provision	Earnout to shareholder	Other provisions	Total
At 1 January 2019	12'660	-	1'740'254	1'752'914
Acquisition of subsidiaries	-	36'101'082	325'744	36'426'826
Creation	-	-	1'817'378	1'817'378
Utilisation	-12'660	-	-1'305'854	-1'318'514
Released	-	-	-284'400	-284'400
At 31 December 2019	-	36'101'082	2'293'122	38'394'204
Current	-	29'911'205	1'997'122	31'908'327
Non-current	-	6'189'877	296'000	6'485'877

Earnout to shareholders

As at December 31 2019, the Group had outstanding commitments in relation to acquisitions made in 2019 (Tectri, DPM and DPP). The amounts were based on a performance target for 2019, 2020 and 2021. During the financial year 2020, the Group paid out CHF 32'171'815 in earnout of which CHF 30'413'317 was accrued as at December 31 2019. At the balance sheet date, the Group estimates that earnouts to be paid based on performance target for 2020 and 2021 will amount to CHF 8'654'600.

Other provisions

The majority of other provisions are bonus provisions amounting to CHF 1'606'177 as at 31.12.2020 (CHF 1'479'108 as at 31.12.2019).

The group had been involved in litigation with a patronage fund for several years. During the financial year 2020, this litigation was settled by the payment of CHF 60'000 (provision of CHF 150'000 as at 31.12.2019).

Notes to the consolidated financial statements

18. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

a) Income tax expense

	2020	2019
Current income taxes		
Current year income taxes	-6'654'081	-6'804'944
Adjustments in respect of prior years	301'611	123'115
	-6'352'471	-6'681'829
Deferred taxes		
Relating to origination and reversal of temporary differences	-209'882	-1'707'320
Relating to adjustment of tax rates on prior year deferred taxes	-6'393	1'797'925
Relating to capitalization and use of taxes carried forward	1'520'490	-121'081
	1'304'214	-30'475
	-5'048'256	-6'712'304

b) Group's effective tax rate

In 2020, the expected tax rate is lower than 2019. The reconciliation between the theoretical and effective rate is presented below:

	2020	2019
Expected tax rate at weighted average applicable tax rate	20.46%	34.24%
Unrecognised deferred tax assets	0.00%	0.79%
Changes in tax rates on deferred tax *	0.53%	-8.73%
Prior years' taxes	-3.37%	-0.60%
Tax effect of non-tax deductible items	35.03%	5.50%
Other	3.85%	1.37%
Effective tax rate	56.48%	32.58%

* During the first half-year 2019 the Swiss population has voted a new tax law and as a result tax rates will decrease from year 2020 in most Swiss cantons and therefore impacted the deferred tax computation of the previous period.

The effective tax rate based on the ordinary result in the year under review was 56.48% (previous year 32.58%).

c) Deferred tax

Deferred tax assets and liabilities relate to the following balance sheet items:

	31/12/2020	31/12/2019
Receivables from goods and services	-295'869	-378'698
Inventories	-3'800'859	-3'857'237
Prepayments and accrued income	-	-1'063
Financial assets	-19'513	-19'513
Property, plant and equipment	-15'303'227	-15'672'023
Intangible assets	-1'415'578	-1'210'130
Long-term provisions	-2'123'579	-1'627'363
Loss carried forward	2'104'294	583'804
	-20'854'330	-22'182'222
Deferred tax assets	1'850'406	583'804
Deferred tax liabilities	-22'704'735	-22'766'027
	-20'854'330	-22'182'222
Tax (expense)/income from the change in deferred tax from temporary differences	1'327'893	-6'858'411
Variation due to acquired subsidiaries (Note 27)	-	-6'933'200
Change in exchange rate	23'679	105'265
Tax (expense)/income from the change in deferred tax from temporary differences	1'304'214	-30'475

Deferred tax assets resulting from deductible temporary differences, tax credits or losses carried forward are recognized only to the extent that realization of the related tax benefit is probable.

Notes to the consolidated financial statements

19. Share capital and reserves

Share capital

Share capital is fully composed of ordinary shares. Over the past three years, the share capital of Group Acrotec SA has developed as follows:

Balance sheet date	Registered shares	Share capital in CHF
31/12/2019	1'000 at CHF 100.00	100'000
31/12/2020	1'000 at CHF 100.00	100'000

Capital reserves

Capital reserves include non-distributable, statutory or legal reserves amounting to CHF 15'796'774 (2019: CHF 14'688'895).

20. Net sales from goods and services	2020	2019
Net sales from goods and services from third parties	242'469'559	222'449'773
Net sales from goods and services from parent companies	1'311'543	910'945
Net sales from goods and services from shareholders of the ultimate parent	522'734	-
	244'303'836	223'360'719

Net sales by industry	2020	2019
Net sales Watches & Jewellery	123'003'753	145'622'211
Net sales Precision High Tech	63'338'923	72'924'052
Net sales MedTech	57'961'160	19'685'064
Corporate services & eliminations	-	-14'870'608
	244'303'836	223'360'719

Net sales by country	2020	2019
Net sales in Switzerland	149'654'734	146'712'290
Net sales in foreign countries	94'649'103	76'648'428
	244'303'836	223'360'719

21. Material purchases	2020	2019
Material costs	-45'319'692	-40'418'792
Tools and supplies	-6'035'914	-7'040'649
Cost of external services	-18'392'482	-17'165'363
Energy	-3'003'180	-2'703'511
Others raw material expenses	-2'053'531	-1'294'691
	-74'804'798	-68'623'005

22. Personnel expenses	2020	2019
Wages and salaries	-74'051'839	-66'509'356
Social security costs	-14'429'962	-12'294'758
Others personnel expenses	-4'204'229	-4'258'905
	-92'686'030	-83'063'019

The Group received CHF 6'764'295 in unemployment benefits, of which CHF 393'933 were reimbursements of the employer's contribution to the compensation fund. These amounts are presented in the wages and salary, respectively in the social security costs.

At 31.12.2020, CHF 163'520 are receivable and are presented in prepayment and accrued income from third parties (note 9).

23. Other operating expenses	2020	2019
Maintenance, rents and energy	-9'940'965	-8'484'091
Leasing	-2'916	-8'786
Vehicle	-629'534	-577'846
Administration and IT	-6'705'037	-4'743'129
Insurance	-802'158	-722'343
Marketing and sales	-1'134'685	-1'333'280
Change in bad debt allowance	48'746	221'637
	-19'166'548	-15'647'838
Other operating expenses related to third parties	-14'955'290	-13'450'935
Other operating expenses related to shareholders of the ultimate parent	-4'211'258	-2'196'903
	-19'166'548	-15'647'838

Notes to the consolidated financial statements

24. Net financial result	2020	2019
Financial income	191'118	748'361
Financial income to shareholders of the ultimate parent	9'166	-
	200'284	748'361
Financial expense	-11'097'093	-8'928'062
Financial expense to shareholders of the ultimate parent	-359'807	-284'981
	-11'456'900	-9'213'043
	-11'256'616	-8'464'682

Financial income generated in 2020 and 2019 relates mainly to remunerative interest on investments.
Financial income to shareholders generated in 2020 relates to remunerative interest on current accounts.

Financial expense generated in 2020 and in 2019 relates mainly to interest on bonds of CHF 9'469'569 (2019: CHF 7'410'338).
Financial expense to shareholders generated in 2020 and in 2019 relates to interest on vendor loans.

25. Non-operating result	2020	2019
Non-operating income	2'185'848	874'534
Non-operating expense	-1'556'839	-1'614'031
Non-operating expense to shareholders of the ultimate parent	-339'812	-
Restructuring utilisation / expense (Note 17)	-	12'660
	289'197	-726'837

Non-operating income generated in 2020 relates mainly to payments of insurance indemnities (covering a fire claim) of CHF 1'710'354.
Non-operating income generated in 2019 relates mainly to sales of gold and fixed assets, refund of non-operating tax and refund of an insurance.

Non-operating expense generated in 2020 and in 2019 relates to consulting fees (for mergers and acquisitions) and various taxes.
In addition, in 2020, CHF 220'212 of payroll expenses for one employee (2019: CHF 823'341 of payroll expenses for two employees) of a group company have been classified as non-operating. This distinction was made as part of the reorganization of part of management's work. In addition the payroll expenses, which are contractually due, were subject to a provision as at 31.12.2020.
Non-operating expenses to shareholder are the result on the sale of a building to a related party.

26. Extraordinary result	2020	2019
Non-recurring income	719'320	511'541
Net change in estimate of inventory	710'370	-
	1'429'690	511'541
Non-recurrent expense	-232'912	-552'205
Net change in estimate of inventory	-	-1'298'231
	-232'912	-1'850'436
	1'196'778	-1'338'895

According to group policies, all items relating to previous exercises are systematically recorded as extraordinary result.

In 2020, non-recurring income is due to prior years income adjustments and a change in inventory valuation of CHF 710'370 (CHF - 1'298'231 in 2019). Some companies adapted their costing methodologies with the policy of Group Acrotec. The impact of the change in estimate was recorded as an extraordinary item.

In 2020 non-recurring expense is due to a prior year expense adjustment of CHF 232'912 (CHF 552'205 in 2019).

Notes to the consolidated financial statements

27. Business combinations

a) During year 2020, the Group did not acquire any companies.

In 2019, six companies were acquired by the Group and for three of them, the payment of an earnout was agreed in the shares purchase agreements. In the financial year 2020, earnouts were paid for CHF 32'171'815 and an updated estimate of the amounts to be paid in 2020 and 2021 has been recorded as of 31.12.2020 (in provisions).

Price adjustment paid to vendors	32'171'815	The Group paid CHF 32'171'815 in cash as part of the consideration in accordance with the share purchase agreements.
Outstanding earnout	2'966'835	To be achieved by 2020 and 2021
Acquisition costs	27'707	Acquisition costs correspond to consulting and legal expenses disbursed during the due diligence and integration process.
Total	35'166'357	

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date, as well as the consideration paid and the goodwill arising on acquisition:

Acquisitions of subsidiaries	2020	2019
Purchase consideration paid (incl. acquisition-related costs)	35'166'357	128'524'998
	Acquired values	Acquired values
Current assets	-	49'116'698
Property, plant and equipment	-	46'909'050
Intangible assets	-	22'464'424
Financial assets	-	849'478
Current liabilities	-27'738'205	-15'343'231
Deferred tax liabilities	-	-6'933'200
Long term liabilities	-2'675'112	-11'986'942
Net assets acquired	-30'413'317	85'076'277
Goodwill	4'753'039	43'448'721
Cash and cash equivalents acquired	-	-21'322'322
Vendor loans	-	-13'384'400
Earnout	-2'966'835	-36'101'082
Cash outflow on acquisition	32'199'522	57'717'194

Notes to the consolidated financial statements

28. Groupe Acrotec principal Companies - as at 31.12.2020

	Country	Capital	Groupe Acrotec SA Share-holdings		Consolidation
			% voting	% rights	
Suisse CHF					
Acrotec SA, Develier **	Switzerland	5'203'457	100%	100%	Fully consolidated
Acrotec R&D SA, Boudry *	Switzerland	100'000	100%	100%	Fully consolidated
AFT Micromécanique Suisse SA, Courgenay	Switzerland	100'000	100%	100%	Fully consolidated
Butech SA, Tavannes	Switzerland	200'000	100%	100%	Fully consolidated
Décovi SA, Val Terbi	Switzerland	150'000	100%	100%	Fully consolidated
FX & Associés Holding SA, Le Chaux-de-Fonds	Switzerland	100'000	100%	100%	Fully consolidated
DIENER AG PRECISION MACHINING, Embrach	Switzerland	1'500'000	100%	100%	Fully consolidated
Diener Precision Pumps AG, Embrach	Switzerland	150'000	100%	100%	Fully consolidated
Générale Ressorts SA, Bienne	Switzerland	2'425'000	100%	100%	Fully consolidated
Groupe Acrotec SA, Develier	Switzerland	100'000	100%	100%	Fully consolidated
H2i Sàrl, Savigny	Switzerland	20'000	100%	100%	Fully consolidated
J2X Holding SA, La Chaux-de-Fonds	Switzerland	100'000	100%	100%	Fully consolidated
K2A Sàrl, Le Chenit	Switzerland	20'000	100%	100%	Fully consolidated
Kif Parechoc SA, Le Chenit	Switzerland	720'000	95%	95%	Fully consolidated
Mimotec SA, Sion	Switzerland	364'000	100%	100%	Fully consolidated
mu-DEC SA, Develier	Switzerland	100'000	100%	100%	Fully consolidated
Petitpierre Holding SA, Cortaillod	Switzerland	100'000	100%	100%	Fully consolidated
Petitpierre SA, Cortaillod	Switzerland	140'000	100%	100%	Fully consolidated
Pierhor-Gasser SA, Ecublens	Switzerland	100'000	100%	100%	Fully consolidated
PRECIPRO SA, La Chaux-de-Fonds	Switzerland	411'000	100%	100%	Fully consolidated
RODI HOLDING SA, Embrach	Switzerland	100'000	100%	100%	Fully consolidated
Sigatec SA, Sion	Switzerland	400'000	50%	50%	Proportionally consolidation
SMTS Holding SA, Le Chenit	Switzerland	120'000	100%	100%	Fully consolidated
STS Develier SA, Develier	Switzerland	200'000	100%	100%	Fully consolidated
STS La Chaux-de-Fonds SA, La Chaux-de-Fonds	Switzerland	100'000	100%	100%	Fully consolidated
STS Meyrin SA, Meyrin	Switzerland	100'000	100%	100%	Fully consolidated
STS Vallée de Joux SA, Le Chenit	Switzerland	100'000	100%	100%	Fully consolidated
Tectri SA, Valbirse	Switzerland	100'000	100%	100%	Fully consolidated
Vardeco SA, Develier	Switzerland	300'000	100%	100%	Fully consolidated
Watchdec SA, Courgenay	Switzerland	100'000	100%	100%	Fully consolidated
Europe EUR					
A.F.T. MICROMECHANIQUE SAS, Fillinges	France	125'000	100%	100%	Fully consolidated
D.J.C DECOLLETAGE JEAN CORDIER SAS, Theyez	France	7'724'680	100%	100%	Fully consolidated
ROCH MECANIQUE DE PRECISION SAS, Reignier-Esery	France	48'000	100%	100%	Fully consolidated
USA USD					
Diener Precision Pumps Inc, Lodi	United States	1'000	100%	100%	Fully consolidated
Vardeco Inc, Westborough ***	United States	97	100%	100%	Fully consolidated

* Created company in 2020

** In 2020, Finacrotec SA merged with Acrotec SA (surviving entity renamed Acrotec SA). Both companies were 100% owned by the Group as at 31.12.2019

*** Integration date: January 1, 2020

Notes to the consolidated financial statements

29. Retirement benefit obligations

Employer contribution reserves (ECR) in CHF:

2020	Nominal value 31.12.2020	Waiver of use 31.12.2020	Balance sheet 31.12.2020	Accumulation 2020	Balance sheet 31.12.2019	Result from ECR in personnel expenses	
						2020	2019
Patronage funds/ patronage pension plans	438'025	-	438'025	57'216	380'809	-	-
Pension institutions	2'646'501	-	2'646'501	-1'620'822	4'267'323	-	-
	3'084'526	-	3'084'526	-1'563'606	4'648'132	-	-

In fiscal year 2020, due to COVID, the Group used CHF 1'929'710 of employer contribution reserves without impact on personal costs. At the end of the year a small part of the employers contribution reserves of CHF 308'888 was reconstituted.

2019	Nominal value 31.12.2019	Waiver of use 31.12.2019	Balance sheet 31.12.2019	Accumulation 2019	Balance sheet 31.12.2018	Result from ECR in personnel expenses	
						2019	2018
Patronage funds/ patronage pension plans	380'809	-	380'809	74'687	306'122	-	-
Pension institutions	4'267'323	-	4'267'323	538'466	3'728'857	-	-
	4'648'132	-	4'648'132	613'153	4'034'979	-	-

Economic benefit / economic obligation and pension benefit expenses

2020	Surplus/ deficit	Group's economic share	Change from previous year		Contributions for the business period	Pension costs within personnel expense 2)
			no income statement impact	income statement impact		
Patronage funds / patronage pension plans	7'013'464	-	-	-	-	-
Pension plans without surplus / deficit	-	-	-	-	-4'344'233	-4'344'233
Pension plans with surplus 1)	-	-	-	-	-596'837	-596'837
	7'013'464	-	-	-	-4'941'070	-4'941'070

1) It concerns collective pension funds and amounts of surplus relating to the companies in the group are not known. There is no economic advantage for Groupe Acrotec.

2) The pension funds of several group companies are 100% reinsured in terms of risk and investments; in 2020 the amount of relevant contributions (employer contributions) is CHF 1'303'935.

2019	Surplus/ deficit	Group's economic share	Change from previous year		Contributions for the business period	Pension costs within personnel expense 2)
			no income statement impact	income statement impact		
Patronage funds / patronage pension plans	7'043'464	-	-	-	-	-
Pension plans without surplus / deficit	-	-	-	-	-2'518'806	-2'518'806
Pension plans with surplus 1)	-	-	-	-	-895'304	-895'304
	7'043'464	-	-	-	-3'414'110	-3'414'110

1) It concerns collective pension funds and amounts of surplus relating to the companies in the group are not known. There is no economic advantage for Groupe Acrotec.

2) The pension funds of several group companies are 100% reinsured in terms of risk and investments; in 2019 the amount of relevant contributions (employer contributions) is CHF 1'352'803.

Notes to the consolidated financial statements

30. Related party transactions

Terms and conditions of transactions with related parties

Unless specified below, the transactions with related parties are made at terms equivalent to those that prevail at arm's length. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: CHF Nil).

The following table provides the total amount of transactions that have been entered into and the outstanding balances with related parties for the relevant fiscal year:

		Sales and interest charged to related parties	Purchase and interest from/due to related parties	Other transactions with related parties	Amounts owed by related parties	Amounts owed to related parties
Parent companies	2020	1'311'543	-5'098	27'346	227'721	-3'686
	2019	910'945	-	45'660	200'749	-3'569
Shareholders of the ultimate parent company	2020	522'734	-2'577'934	-2'199'608	20'353	-6'722'581
	2019	-	-1'134'950	-1'346'934	488'800	-16'053'507

Parent companies

In 2020, revenues from related parties were mainly generated from raw materials and goods sold to parent companies (similar to 2019).

Shareholders of the ultimate parent

In 2020, revenues from related parties were mainly generated from goods sold to shareholders of the ultimate parent company.

Concerning the expenses in relation to the related parties, service fees were paid to shareholders of the ultimate parent for CHF 832'990 (2019: CHF 849'969). The aim of these fees is mainly to cover the management services provided to the Group.

In addition, administrative expenses related to mandate agreements of CHF 1'054'492 (2019: CHF 0) have been recorded for the period 2020. The services are provided in the areas of management and legal and managerial consulting.

In addition, financial expenses were charged to the Group for CHF 359'807 (2019: CHF 284'981) in relation to the borrowings made by the shareholders of the ultimate parent. In 2020, a loan was granted to shareholders of ultimate parents and it generated a financial income of CHF 9'166 (2019: CHF 0).

Non-operating expenses of CHF 339'812 to shareholder are the result on the sale of a building to a related party (2019: CHF 0).

In 2020, rents for CHF 2'323'776 were collected by companies owned by shareholders of ultimate parent company (in 2019: CHF 1'346'934).

In 2020, a company of Acrotec Group recharged CHF 124'168 in administrative costs to a shareholder of the ultimate parent company (in 2019: CHF 0).

The amount owed by related parties corresponds to the current account with two shareholders of the ultimate parent for CHF 20'353 (2019: CHF 8'800). Moreover, as at 31 december 2019 there was a prepaid rent to a company owned by a shareholder's relative of the ultimate parent for CHF 480'000.

In 2020, the current financial liabilities of CHF 6'411'450 (2019: CHF 14'904'802) are owed to shareholders in the relation to vendor loans (bearing interest for CHF 160'232 in 2020 and for CHF 731'287 in 2019, recorded in accruals) underwritten during the acquisition of subsidiaries. Moreover, earnout of CHF 8'654'600 (2019: 36'101'082) related to 2019 companies acquisitions are due to shareholder of ultimate parent (provisions).

Finally, CHF 150'899 are owed to shareholders as current account (2019: CHF 417'418).

Notes to the consolidated financial statements

31. Commitments and contingencies

a. Contingent assets and liabilities	31/12/2020	31/12/2019
Guarantee for credit line	33'000'000	33'000'000
	33'000'000	33'000'000

If H2i sells its patent in the 5 years following the acquisition of the company, the Groupe Acrotec must pay half of the amount of the sale of the patent to the former shareholder.

b. Pledged assets	31/12/2020	31/12/2019
Building	47'103'515	51'780'458
Machine under lease	31'279'865	29'358'901
Vehicle under lease	2'434'795	2'039'535
Equipment under lease	3'511'796	2'366'065
IT under lease	288'967	306'474
	84'618'938	85'851'434

c. Leasing

All financial leases were activated.

The Group's fixed operating leasing commitments that cannot be cancelled within 12 months and which are not recognized in the balance-sheet are due as follows:

	31/12/2020	31/12/2019
Between 1 and 5 years	12'766'515	12'918'335
Overs 5 years	14'274'546	15'475'661
	27'041'061	28'393'996

d. Precious metal loan

On 18 July 18 2019, the Group concluded a 110 kg metal loan with a Swiss bank; the term of this loan is 6 months, renewable.

In July 2020, this loan was renewed for 100 kg; a repurchase of 10 kg of gold was therefore made by the group from the bank for CHF 547'500 (note 8). In September 2020, the group took out an additional loan of 10 kg, bringing the balance of the metal loan to 110 kg as of 31.12.2020.

32. Subsequent events after the year-end closing

On December 2020, Global investment firm The Carlyle Group has agreed to acquire the Acrotec Group, in partnership with its management team, from Castik Capital. This transaction was closed on February 20, 2021 and will result in accelerated growth for the Acrotec Group through the development of its existing platform and through acquisitions. The settlement of the acquisition of the Acrotec Group constitutes a change of control according to the terms of the three outstanding Acrotec bonds. The terms of the bonds entitle the respective bondholders to request Groupe Acrotec SA to repurchase their bonds at par plus accrued interest. New secured financing has been arranged to refinance the bonds.

In March 2021, the Group acquired 100% of the voting shares of RC5 Holding SA which holds 100% of the voting shares of easyDec SA (Delémont) and 100% of the voting shares of AlphaDec SA (Court). easyDec SA (Delémont) also holds 40% of the voting shares of Politremp SA (Courrendlin). In the second quarter of 2021, the Group is planning to also acquire the other 60% of the voting shares of Politremp SA from three minority shareholders.

easyDec SA is a bar turning supplier specialised in micro-components and predominantly produces high precision components for the watch manufacturing industry. AlphaDec SA exclusively provides machine revision services for easyDec SA. Politremp SA provides finishing and surface treatment services to easyDec SA and to external customers.

In February 2021, the Group signed a Letter of Intention for the acquisition of 100% of the voting rights of Microweld SAS. The deal is scheduled to close in the second quarter of 2021, under certain conditions.