

**Groupe Acrotec SA  
Develier**

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**Statutory Auditor's Report  
To the General Meeting**  
On the Consolidated Financial Statements  
For the year ended December 31, 2022

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**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 and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance 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 Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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*

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.

## Acquisition of companies

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### Areas of focus

The Group completed four acquisitions during the year 2022 including eleven legal entities. The Group acquired: Dynoul SA (including subsidiaries NEWCAP SA and CAPSA – Camille Piquerez SA), Horlyne SA, Takumi Precision Engineering Ltd and Team Metal Group (Team-Metal Pte Ltd, Team Excellence Pte Ltd, PT Team Metal Indonesia, Team Integration Sdn Bhd, Team Metal Co. Ltd and Suzhou Team Metal Imp & Exp Co. Ltd). The Group acquired 100% of the voting shares of all four acquisitions and therefore took control of these subsidiaries. The total purchase price for the acquisitions of these companies amounted to CHF 227.1 million. The acquisitions resulted in the recognition of a goodwill of CHF 46.4 million.

These transactions required management to assess the fair value of the obligation contingent to the realization of future level of financial performance (earn-out based on EBITDA level) and to perform a purchase price allocation exercise to fair value the assets and liabilities of the acquired entities. This requires exercise of judgement over the accounting for these transactions.

### Our audit response

We performed audit procedures to assess the Purchase Price Allocations (PPA) with regards to these acquisitions. We reviewed the sale and purchase agreement to understand the key terms and conditions, and confirming our understanding of the transactions with management. This included an analysis of the fair value of the assets acquired and of the liabilities assumed supporting the purchase price allocation at the acquisition date.

As part of our procedures, we agreed the considerations paid back to the Sale and Purchase Agreements and to supporting evidences for the acquisition costs as well as the cash disbursements. We audited the contingent obligation recognized based on the business plans developed at acquisition date and with 2022 actual financial figures of the corresponding entity. We gained an understanding of the principles applied by the Board of Directors in determining their acquisition date fair value information. In respect of significant adjustments, we audited the Group's assumptions based on our knowledge and experience of the industry in which Groupe Acrotec SA operates. We agreed significant transactions to supporting documentation, such as underlying contracts, third party confirmations and valuation reports.

To assess the valuation of production equipment, we used our own valuation expertise and experience to assess the underlying valuation methodology.

We also considered the adequacy of the Group's disclosures in respect of the acquisitions and the related judgements.

For further information on Acquisition of companies, refer to the following:

- Note 27, « Business combinations »

## Carrying value of goodwill

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### 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 265.8 million representing more than 30% 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

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### Areas of focus

Inventory of CHF 105.6 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"

### *Other Information*

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Board of Directors' Responsibilities for the Consolidated Financial Statements*

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

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

## **Report on Other Legal and Regulatory Requirements**

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

## **MAZARS LTD**



Michael Ackermann  
Licensed audit expert  
(Auditor in charge)



Fiona Giotto  
Licensed audit expert

Lausanne, April 21, 2023

## **Attachments**

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

## Consolidated Balance sheet

Assets (CHF)	Notes	31/12/2022	31/12/2021
Cash and cash equivalents		67'501'250	39'047'492
Financial assets	10	2'143'117	55'630
Receivables from goods and services	6	57'351'404	31'782'561
Other short-term receivables	7	7'118'864	3'844'135
Inventories	8	105'568'344	71'641'511
Prepayments and accrued income	9	4'958'390	2'763'919
<b>Current assets</b>		<b>244'641'369</b>	<b>149'135'248</b>
Financial assets	10	3'883'454	4'276'824
Property, plant and equipment	11	236'968'120	175'273'985
Intangible assets	12	386'131'135	273'240'056
Deferred tax assets	18	1'939'490	2'113'768
<b>Non-current assets</b>		<b>628'922'199</b>	<b>454'904'633</b>
<b>Assets</b>		<b>873'563'569</b>	<b>604'039'881</b>
Liabilities and equity (CHF)	Notes	31/12/2022	31/12/2021
Payables from goods and services	13	22'919'228	13'472'706
Financial liabilities	14	57'779'574	18'181'906
Other short-term liabilities	15	24'210'458	14'984'638
Accrued liabilities and deferred income	16	13'764'145	7'388'944
Short-term provisions	17	8'250'272	11'732'321
<b>Current liabilities</b>		<b>126'923'677</b>	<b>65'760'514</b>
Financial liabilities	14	517'630'844	319'832'973
Deferred tax liabilities	18	33'822'576	24'293'600
Other long-term liabilities	15	1'045'552	1'035'977
Long-term provisions	17	3'962'200	211'000
<b>Non-current liabilities</b>		<b>556'461'172</b>	<b>345'373'550</b>
<b>Liabilities</b>		<b>683'384'850</b>	<b>411'134'064</b>
Share capital	19	100'000	100'000
Capital reserves		160'210'894	160'210'894
Retained earnings		31'913'917	32'874'852
Translation differences		-4'037'026	-1'901'578
<b>Equity attributable to owner of Acrotec Group</b>		<b>188'187'785</b>	<b>191'284'167</b>
<b>Non-controlling interests</b>		<b>1'990'934</b>	<b>1'621'650</b>
<b>Liabilities and equity</b>		<b>873'563'569</b>	<b>604'039'881</b>

## Consolidated income statement

in CHF	Notes	2022	2021
Net sales from goods and services	3 / 20	431'614'164	306'918'144
Other operating income		57'482	96'338
Change in inventory of finished and unfinished goods	8	9'574'062	7'470'845
<b>Operating revenues</b>		<b>441'245'707</b>	<b>314'485'327</b>
Material purchases	21	-143'914'566	-98'976'436
Personnel expenses	22	-149'882'006	-113'293'858
Other operating expenses	23	-28'931'390	-21'925'082
<b>Operating expenses</b>		<b>-322'727'963</b>	<b>-234'195'376</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>118'517'745</b>	<b>80'289'951</b>
Depreciation and impairment on tangible fixed assets	11	-25'424'248	-21'322'095
Amortisation and impairment on intangible fixed assets	12	-40'236'794	-21'424'445
<b>Total amortisation and depreciation</b>		<b>-65'661'042</b>	<b>-42'746'540</b>
<b>Earnings before interest and tax (EBIT)</b>		<b>52'856'703</b>	<b>37'543'411</b>
Net financial result	24	-34'268'760	-21'632'701
<b>Ordinary profit</b>		<b>18'587'943</b>	<b>15'910'710</b>
Non-operating result	25	-3'795'732	-18'474'381
Extraordinary result	26	166'653	-378'916
<b>Profit / (Loss) before income taxes</b>		<b>14'958'863</b>	<b>-2'942'587</b>
Income taxes	18	-15'550'513	-8'555'075
<b>Loss for the year</b>		<b>-591'650</b>	<b>-11'497'662</b>
Attributable to shareholders of Groupe Acrotec SA		-1'073'730	-11'928'842
Attributable to non-controlling interests		482'080	431'180
<b>Earnings per shares (EPS) - in CHF per share :</b>			
<b>Bearer shares</b>			
Basic earnings per share	4	-1'074	-11'929
Diluted earnings per share	4	-1'074	-11'929

## Consolidated statement of cash flows

in CHF	Notes	2022	2021
<b>Loss for the year</b>		<b>-591'650</b>	<b>-11'497'662</b>
Depreciation and impairment on tangible fixed assets	11	25'424'248	21'322'095
Amortisation and impairment on intangible fixed assets	12	40'236'794	21'424'445
Change in bad debt allowance	23	-246'916	-126'092
Result on the disposal of PPE	11	65'869	-164'276
Changes in deferred tax	18	1'586'071	-543'091
Financial costs	24	30'958'425	19'588'325
Other expenses / income without cash impact		1'526'075	1'912'863
Changes in short-term provisions	17	-3'966'757	9'713'781
Changes in long-term provisions	17	3'751'200	-3'102'000
Changes in working capital		-28'776'322	-4'895'941
Changes in other long-term liabilities		-4'055'733	41'103
<b>Cash flow from operating activities</b>		<b>65'911'305</b>	<b>53'673'552</b>
Acquisition of financial assets		-1'470'716	-415'961
Proceeds from the disposal of financial assets		235'666	3'793'615
Proceeds from disposal of property, plant and equipment	11	768'880	493'296
Proceeds from sale of gold	8	14'254'050	-
Purchase of property, plant and equipment	11	-23'676'491	-15'714'288
Purchase of intangible assets	12	-4'680'972	-4'620'857
Acquisition of subsidiaries, net of cash acquired	27	-154'495'475	-21'164'811
Price adjustment of acquisitions through income statement	17	-	-5'500'000
<b>Cash flow from investing activities</b>		<b>-169'065'058</b>	<b>-43'129'005</b>
Dividends paid to non-controlling interests		-	-615'460
Changes in short-term financial liabilities		-2'636'857	-126'492'819
Changes in long-term financial liabilities		166'701'164	111'526'760
Interest paid		-30'958'425	-19'588'325
<b>Cash from financing activities</b>		<b>133'105'882</b>	<b>-35'169'844</b>
<b>Change in cash and cash equivalents</b>		<b>29'952'128</b>	<b>-24'625'298</b>
At beginning of year		39'047'492	64'475'312
Net foreign exchange difference		-1'498'370	-802'522
At end of year		67'501'250	39'047'492
<b>Change in cash and cash equivalents</b>		<b>29'952'128</b>	<b>-24'625'298</b>

## 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		
<b>Balance at 1 January 2021</b>	<b>100'000</b>	<b>160'210'894</b>	<b>-819'720</b>	<b>44'803'694</b>	<b>204'294'868</b>	<b>1'805'930</b>	<b>206'100'798</b>
Net income	-	-	-	-11'928'842	-11'928'842	431'180	-11'497'662
Dividends paid	-	-	-	-	-	-615'460	-615'460
Translation differences	-	-	-1'081'859	-	-1'081'859	-	-1'081'859
<b>Balance at 31 December 2021</b>	<b>100'000</b>	<b>160'210'894</b>	<b>-1'901'578</b>	<b>32'874'852</b>	<b>191'284'167</b>	<b>1'621'650</b>	<b>192'905'817</b>
Net income	-	-	-	-1'073'730	-1'073'730	482'080	-591'650
Result of merger attributable to NCI	-	-	-	112'796	112'796	-112'796	-
Translation differences	-	-	-2'135'448	-	-2'135'448	-	-2'135'448
<b>Balance at 31 December 2022</b>	<b>100'000</b>	<b>160'210'894</b>	<b>-4'037'026</b>	<b>31'913'917</b>	<b>188'187'785</b>	<b>1'990'934</b>	<b>190'178'719</b>

## Notes to the consolidated financial statements

### 1. Corporate information

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Groupe Acrotec SA (the Company) and its subsidiaries (collectively the Group) are operating in the medical, precision high tech and watch and jewellery 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 21 April 2023.

### 2. Summary of significant accounting policies

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#### 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.

#### Change in accounting policies

Early adoption of the revised standard FER 30: Consolidated Financial Statements: there is no material impact on the Group's Financial Statements except for the treatment of Goodwill (please refer to b. Consolidation policies; business combinations and goodwill). According to transitional provisions and for simplification purposes, the revised standard regarding Goodwill is to be implemented prospectively.

#### 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. Intangible assets which have not been recognised previously by the acquiree and are relevant to the decision to obtain control are identified and recognised during the Purchase Price Allocation. 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). Adjustments to the purchase price of an investment, such as earnouts, are recognized as goodwill (before 2022, adjustments to the purchase price were impacting goodwill only when occurring within 12 months after the date of acquisition). In the event that shares 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.

#### c. Scope of consolidation

At 31 December 2022, the Group's consolidation structure comprised 43 legal entities (2021: 35), 42 are fully consolidated and one is proportionally consolidated. Note 28 includes a complete list of Group companies.

#### 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.

## Notes to the consolidated financial statements

### 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 rate	Average rate	Prevailing
		2022	31/12/2022	2021	31/12/2021
		CHF	CHF	CHF	CHF
EUR	1	0.9839	1.0048	1.0339	1.0810
USD	1	0.9233	0.9550	0.9127	0.9143
SGD	1	0.6896	0.6887	-	-
IDR	1'000	0.0652	0.0596	-	-
MYR	1	0.2208	0.2094	-	-
CNY	1	0.1457	0.1340	-	-

### 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 of 50% is charged for receivables which are more than 6 months overdue and impairment of 100% 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.

## Notes to the consolidated financial statements

### 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 income statement 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	3, 5 and 10 years according to the type of furniture
– Furniture	5 years
– 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.

### 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. From year 2022 as anticipated application of Swiss GAAP FER 30, the adjustment of the purchase price of an investment after more than 12 months from the date of acquisition, e.g. earnout, is also recognized as goodwill.

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 3 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 3 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.

## Notes to the consolidated financial statements

### I. 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 expenses.

### 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 expenses 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 expenses 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. Expenses and income from non-operating tangible fixed assets also form part of the non-operating result.

### v. Extraordinary

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

### w. Derivative instruments used for hedging purposes

Interest rate swap and interest rate cap have been entered into to hedge the variable interest component of the long-term credit lines. Derivatives used to hedge contractually agreed future cash flows, which will occur with a high probability, are not recognized in the financial statements but are disclosed in the notes (off-balance sheet). The premium paid for the cap (option) purchased is capitalized as financial investment and recognized as a financial expenses over the duration of the contract. The fixed interest payments resulting from the hedge are recognized as financial expenses. Details of the open contracts are shown in Note 31 e.

## 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:

<b>Watches &amp; Jewellery</b>	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.
<b>Precision High Tech</b>	High value added components for various end-markets such as automotive, aerospace and connectors.
<b>MedTech</b>	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.

2022 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	231'861'336	103'752'339	93'945'498	-	-	429'559'173
- Parents companies	1'232'551	-	-	-	-	1'232'551
- Shareholders of the ultimate parent	75'195	249'691	497'554	-	-	822'440
<b>Net Sales</b>	<b>233'169'081</b>	<b>104'002'030</b>	<b>94'443'052</b>	-	-	<b>431'614'164</b>
<b>Operating result</b>	<b>73'648'361</b>	<b>23'029'363</b>	<b>22'433'618</b>	<b>-593'598</b>	-	<b>118'517'745</b>
In % of net sales	31.6%	22.1%	23.8%			27.5%

Inter-company transactions are presented net of impact.

2021 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	155'859'183	82'241'641	66'930'311	-	-	305'031'135
- Parents companies	1'564'189	-	-	-	-	1'564'189
- Shareholders of the ultimate parent	-	-	322'819	-	-	322'819
<b>Net Sales</b>	<b>157'423'372</b>	<b>82'241'641</b>	<b>67'253'131</b>	-	-	<b>306'918'144</b>
<b>Operating result</b>	<b>44'937'917</b>	<b>17'486'751</b>	<b>16'679'142</b>	<b>1'186'140</b>	-	<b>80'289'951</b>
In % of net sales	28.5%	21.3%	24.8%			26.2%

Inter-company transactions are presented net of impact.

## b. Information on geographical regions

in CHF	2022		2021	
	Net Sales	Operating result *	Net Sales	Operating result *
- Switzerland	251'116'568	78'878'322	182'944'370	55'220'722
- Other Europe	121'638'259	25'080'503	97'122'226	19'878'162
<b>Total Europe</b>	<b>372'754'827</b>	<b>103'958'825</b>	<b>280'066'595</b>	<b>75'098'884</b>
<b>Total America</b>	<b>34'307'592</b>	<b>7'868'518</b>	<b>22'612'259</b>	<b>4'454'712</b>
<b>Total Asia</b>	<b>21'963'636</b>	<b>6'000'115</b>	<b>4'194'861</b>	<b>726'783</b>
<b>Total Rest of the world</b>	<b>2'588'109</b>	<b>690'287</b>	<b>44'429</b>	<b>9'572</b>
Total Africa	2'018'743	507'013	-	-
Total Oceania	569'366	183'273	44'429	9'572
<b>Total:</b>	<b>431'614'164</b>	<b>118'517'745</b>	<b>306'918'144</b>	<b>80'289'951</b>

\* 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

	2022	2021
Net income attributable to shareholders of Groupe Acrotec SA (in CHF)	-1'073'730	-11'928'842
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%
<b>Registered shares</b>		
Net income attributable to registered shareholders	-1'073'730	-11'928'842
Average number of shares outstanding	1'000	1'000
<b>Basic earnings per shares (in CHF)</b>	<b>-1'074</b>	<b>-11'929</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders	-	-
Average number of shares outstanding	-	-
<b>Basic earnings per shares (in CHF)</b>	<b>-</b>	<b>-</b>

## b) Diluted

	2022	2021
<b>Registered shares</b>		
Net income attributable to registered shareholders	-1'073'730	-11'928'842
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
<b>Diluted earnings per shares (in CHF)</b>	<b>-1'074</b>	<b>-11'929</b>
<b>Bearer shares</b>		
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)	-	-
<b>Diluted earnings per shares (in CHF)</b>	<b>-</b>	<b>-</b>

## 5. Dividends paid and proposed

The Annual General Meeting approved that no dividends be paid during 2022 and 2021.

## Notes to the consolidated financial statements

	31/12/2022	31/12/2021
<b>6. Receivables from goods and services</b>		
Trade receivables from third parties - gross value	57'895'947	32'729'475
Trade receivables from parents companies	118'262	1'759
Trade receivables from shareholders of the ultimate parent	113'035	15'385
Allowance for impaired receivables	-775'841	-964'058
	<b>57'351'404</b>	<b>31'782'561</b>
<b>7. Other short-term receivables</b>		
Other receivables from third parties	7'104'256	3'824'071
Other receivables from shareholders of the ultimate parent	14'608	20'064
	<b>7'118'864</b>	<b>3'844'135</b>
<b>8. Inventories</b>		
Raw materials, auxiliary material and supplies	38'294'337	22'571'392
WIP (Work in progress)	41'565'365	31'829'339
Advanced payment related to goods in progress	-2'417'909	-1'128'520
Finished goods	41'541'231	28'645'603
Allowance for impaired inventories	-13'414'680	-10'276'304
	<b>105'568'344</b>	<b>71'641'511</b>
<b>8.1 Explanation of balance sheet variation</b>		
Change in inventory of finished and unfinished goods as well as unbilled goods and services	9'574'062	7'470'845
Change in inventory of raw material expenses	10'444'630	5'284'195
Net change in estimate for inventories valuation (Note 26)	1'261'223	-77'133
Purchase / (sale) of gold (Note 31.d)	-14'254'050	-
Acquisition of subsidiaries (Note 27)	27'930'439	815'795
Change of asset type	-663'029	-
Exchange rate impact	-366'443	-226'134
	<b>33'926'833</b>	<b>13'267'567</b>
<b>9. Prepayments and accrued income</b>		
Prepayment and accrued income from third parties	4'956'350	2'745'379
Prepayment and accrued income to shareholders of the ultimate parent	2'040	18'539
	<b>4'958'390</b>	<b>2'763'919</b>
<b>10. Financial assets</b>		
Investment portfolio	2'133'102	60'071
Financial assets to third parties	690'030	684'943
Allowance for impaired financial assets	-92'977	-92'977
Financial assets to shareholders of the ultimate parent	-	30'000
Capitalized financial expenses	-	230'745
Assets from employers contributions reserves to pension institutions (refer to note 29)	3'296'416	3'419'673
	<b>6'026'571</b>	<b>4'332'454</b>
<b>Current</b>	<b>2'143'117</b>	<b>55'630</b>
<b>Non-current</b>	<b>3'883'454</b>	<b>4'276'824</b>

## 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
<b>Historical cost, 31 December 2021</b>	<b>362'366</b>	<b>88'857'470</b>	<b>245'438'112</b>	<b>37'698'598</b>	<b>3'313'006</b>	<b>375'669'552</b>
Acquisition of subsidiaries (Note 27)	1'551'791	24'045'179	44'768'796	1'835'501	1'736'557	73'937'823
Additions	-	1'897'390	34'396'830	3'464'037	2'840'116	42'598'373
Disposals	-	-104'165	-5'181'538	-1'793'994	-540'862	-7'620'559
Transfers	-	20'222	1'766'221	-308'068	-1'862'442	-384'067
Exchange rate impact	-	-371'617	-1'937'653	-521'063	-24'747	-2'855'080
<b>Historical cost, 31 December 2022</b>	<b>1'914'157</b>	<b>114'344'478</b>	<b>319'250'768</b>	<b>40'375'011</b>	<b>5'461'629</b>	<b>481'346'042</b>
<b>Accumulated depreciation, 31 December 2021</b>	<b>-</b>	<b>-32'928'835</b>	<b>-141'397'169</b>	<b>-26'069'562</b>	<b>-</b>	<b>-200'395'566</b>
Acquisition of subsidiaries (Note 27)	-	-128'500	-25'168'959	-1'504'133	-	-26'801'592
Annual depreciation	-	-1'949'770	-20'224'669	-3'249'808	-	-25'424'248
Depreciation on disposals	-	1'242	4'488'841	1'448'123	-	5'938'207
Transfers	-	-	-24'769	408'836	-	384'067
Exchange rate impact	-	63'210	1'400'538	457'464	-	1'921'211
<b>Accumulated depreciation, 31 December 2022</b>	<b>-</b>	<b>-34'942'654</b>	<b>-180'926'187</b>	<b>-28'509'081</b>	<b>-</b>	<b>-244'377'922</b>
Net book values :						
<b>Balance at 31 December 2021</b>	<b>362'366</b>	<b>55'928'635</b>	<b>104'040'943</b>	<b>11'629'036</b>	<b>3'313'006</b>	<b>175'273'985</b>
<b>Balance at 31 December 2022</b>	<b>1'914'157</b>	<b>79'401'823</b>	<b>138'324'581</b>	<b>11'865'931</b>	<b>5'461'629</b>	<b>236'968'120</b>

These figures included leased machinery for CHF 48'746'280 (CHF 68'748'773 less accumulated depreciation of CHF 20'002'493), leased equipment for CHF 2'651'943 (CHF 3'285'858 less accumulated depreciation of CHF 633'915), leased vehicles for CHF 2'426'706 (CHF 4'464'338 less accumulated depreciation of CHF 2'037'632), leased IT for CHF 276'475 (CHF 657'179 less accumulated depreciation of CHF 380'704), leased furniture for CHF 17'808 (CHF 56'235 less accumulated depreciation of CHF 38'427) and leased measuring instruments, tools and processing equipment for CHF 118'633 (CHF 153'458 less accumulated depreciation of CHF 34'825).

The amount of the leased tangible assets acquired in 2022 is CHF 18'917'868.

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
<b>Historical cost, 31 December 2020</b>	<b>262'366</b>	<b>77'523'129</b>	<b>212'130'900</b>	<b>33'537'358</b>	<b>1'992'242</b>	<b>325'445'997</b>
Acquisition of subsidiaries (Note 27)	100'000	8'519'003	17'027'096	3'596'267	-	29'242'366
Additions	-	2'937'244	20'547'579	2'373'028	2'827'466	28'685'318
Disposals	-	-	-4'420'393	-1'369'475	-27'868	-5'817'735
Transfers	-	15'840	1'435'147	27'352	-1'478'339	-
Exchange rate impact	-	-137'747	-1'282'218	-465'932	-495	-1'886'392
<b>Historical cost, 31 December 2021</b>	<b>362'366</b>	<b>88'857'470</b>	<b>245'438'112</b>	<b>37'698'598</b>	<b>3'313'006</b>	<b>375'669'552</b>
<b>Accumulated depreciation, 31 December 2020</b>	<b>-</b>	<b>-30'681'980</b>	<b>-120'425'439</b>	<b>-23'600'514</b>	<b>-</b>	<b>-174'707'934</b>
Acquisition of subsidiaries (Note 27)	-	-819'907	-8'448'334	-608'453	-	-9'876'693
Annual depreciation	-	-1'460'104	-16'670'001	-3'191'990	-	-21'322'095
Depreciation on disposals	-	-	3'360'555	922'438	-	4'282'993
Transfers	-	-	406	-406	-	-
Exchange rate impact	-	33'157	785'644	409'362	-	1'228'163
<b>Accumulated depreciation, 31 December 2021</b>	<b>-</b>	<b>-32'928'835</b>	<b>-141'397'169</b>	<b>-26'069'562</b>	<b>-</b>	<b>-200'395'566</b>
Net book values :						
<b>Balance at 31 December 2020</b>	<b>262'366</b>	<b>46'841'149</b>	<b>91'705'461</b>	<b>9'936'844</b>	<b>1'992'242</b>	<b>150'738'062</b>
<b>Balance at 31 December 2021</b>	<b>362'366</b>	<b>55'928'635</b>	<b>104'040'943</b>	<b>11'629'036</b>	<b>3'313'006</b>	<b>175'273'985</b>

These figures included leased machinery for CHF 35'803'329 (CHF 48'382'332 less accumulated depreciation of CHF 12'579'002), leased equipment for CHF 2'956'260 (CHF 4'236'288 less accumulated depreciation of CHF 1'280'028), leased vehicles for CHF 2'383'459 (CHF 3'949'149 less accumulated depreciation of CHF 1'565'689), leased IT for CHF 223'123 (CHF 590'591 less accumulated depreciation of CHF 367'468), leased furniture for CHF 29'055 (CHF 56'235 less accumulated depreciation of CHF 27'180) and leased measuring instruments, tools and processing equipment for CHF 133'979 (CHF 153'458 less accumulated depreciation of CHF 19'479).

The amount of the leased tangible assets acquired in 2021 is CHF 12'938'645.

## Notes to the consolidated financial statements

## 12. Intangible assets

	Goodwill	Capitalized development costs	Customer relationship	Software	Other intangible assets	Total
<b>Historical cost, 31 December 2021</b>	<b>333'250'016</b>	<b>14'267'283</b>	<b>19'548'303</b>	<b>5'287'088</b>	<b>803'207</b>	<b>373'155'897</b>
Acquisition of subsidiaries (Note 27)	46'476'645	-	101'416'947	203'806	21'201	148'118'599
Additions	-	2'543'382	-	2'168'187	239'627	4'951'195
Disposals	-	-5'901	-	-21'983	-3'205	-31'090
Transfers	-	1'450	-	384'067	-1'450	384'067
Exchange rate impact	-	-15'558	177'844	-24'756	-3'838	133'691
<b>Historical cost, 31 December 2022</b>	<b>379'726'661</b>	<b>16'790'655</b>	<b>121'143'094</b>	<b>7'996'408</b>	<b>1'055'541</b>	<b>526'712'360</b>
<b>Accumulated amortisation, 31 December 2021</b>	<b>-85'774'671</b>	<b>-6'432'908</b>	<b>-4'565'738</b>	<b>-2'594'300</b>	<b>-548'224</b>	<b>-99'915'841</b>
Acquisition of subsidiaries (Note 27)	-	-	-	-148'027	-	-148'027
Annual amortisation	-18'171'216	-2'907'712	-8'079'256	-961'358	-117'253	-30'236'794
Impairment	-10'000'000	-	-	-	-	-10'000'000
Depreciation on disposals	-	3'830	-	17'874	-	21'704
Transfers	-	-	-	-384'067	-	-384'067
Exchange rate impact	-	5'200	53'927	22'673	-	81'800
<b>Accumulated amortisation, 31 December 2022</b>	<b>-113'945'887</b>	<b>-9'331'591</b>	<b>-12'591'067</b>	<b>-4'047'204</b>	<b>-665'477</b>	<b>-140'581'225</b>
Net book values :						
<b>Balance at 31 December 2021</b>	<b>247'475'345</b>	<b>7'834'374</b>	<b>14'982'566</b>	<b>2'692'788</b>	<b>254'983</b>	<b>273'240'056</b>
<b>Balance at 31 December 2022</b>	<b>265'780'774</b>	<b>7'459'063</b>	<b>108'552'028</b>	<b>3'949'204</b>	<b>390'064</b>	<b>386'131'135</b>

In light of the financial performance at DJC, Acrotec Group has decided to make an impairment of CHF 10'000'000 against the goodwill of DJC (acquired in year 2016). This impairment is linked to the traditional activity of DJC, being predominantly in the automotive sector and especially related to petrol cars. As has been widely reported, this sector is undergoing considerable upheaval as governments adapt their policies and direct consumers towards electric and hybrid alternatives. In parallel, DJC Management with the support of the Acrotec Group has been working to build relationships with new customers in alternative sectors. These initiatives are beginning to bear fruit and we remain confident and committed to developing DJC in the long term.

These figures included leased software for CHF 166'667 (CHF 250'000 less accumulated depreciation of CHF 83'333) and leased capitalized costs for CHF 675'299 (acquired in 2022).

	Goodwill	Capitalized development costs	Customer relationship	Software	Other intangible assets	Total
<b>Historical cost, 31 December 2020</b>	<b>317'074'251</b>	<b>11'368'558</b>	<b>19'620'105</b>	<b>3'195'265</b>	<b>942'362</b>	<b>352'200'541</b>
Acquisition of subsidiaries (Note 27)	16'175'764	-	-	172'752	-	16'348'517
Additions	-	2'814'244	-	1'966'464	90'149	4'870'857
Disposals	-	-123'727	-	-27'858	-	-151'585
Transfers	-	227'531	-	-	-227'531	-
Exchange rate impact	-	-19'322	-71'802	-19'535	-1'773	-112'432
<b>Historical cost, 31 December 2021</b>	<b>333'250'016</b>	<b>14'267'283</b>	<b>19'548'303</b>	<b>5'287'088</b>	<b>803'207</b>	<b>373'155'897</b>
<b>Accumulated amortisation 31 December 2020</b>	<b>-69'341'941</b>	<b>-4'472'813</b>	<b>-2'460'570</b>	<b>-1'754'538</b>	<b>-440'465</b>	<b>-78'470'327</b>
Acquisition of subsidiaries (Note 27)	-	-	-	-79'390	-	-79'390
Annual amortisation	-16'432'729	-1'962'623	-2'118'170	-803'163	-107'760	-21'424'445
Depreciation on disposals	-	-	-	24'348	-	24'348
Exchange rate impact	-	2'528	13'003	18'441	-	33'972
<b>Accumulated amortisation, 31 December 2021</b>	<b>-85'774'671</b>	<b>-6'432'908</b>	<b>-4'565'738</b>	<b>-2'594'300</b>	<b>-548'224</b>	<b>-99'915'841</b>
Net book values :						
<b>Balance at 31 December 2020</b>	<b>247'732'310</b>	<b>6'895'744</b>	<b>17'159'535</b>	<b>1'440'727</b>	<b>501'897</b>	<b>273'730'214</b>
<b>Balance at 31 December 2021</b>	<b>247'475'345</b>	<b>7'834'374</b>	<b>14'982'566</b>	<b>2'692'788</b>	<b>254'983</b>	<b>273'240'056</b>

These figures included leased software for CHF 250'000 (acquired in 2021).

## Notes to the consolidated financial statements

13. Payables from goods and services	31/12/2022	31/12/2021
Payables to third parties	22'755'359	13'367'267
Payables to shareholders of the ultimate parent	163'870	105'439
	<b>22'919'228</b>	<b>13'472'706</b>

## 14. Financial liabilities

At 31 December 2022	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Liabilities to third parties	6'962'754	5'267'105	-	12'229'859
Liabilities to shareholders of the ultimate parent	11'901'305	36'618'180	-	48'519'485
Bank debts	2'370'253	422'525'422	-	424'895'675
Mortgages	1'925'550	14'815'339	9'769'711	26'510'600
Leases	11'299'713	28'635'088	-	39'934'801
Bonds	23'320'000	-	-	23'320'000
<b>Total at 31 December 2022</b>	<b>57'779'574</b>	<b>507'861'134</b>	<b>9'769'711</b>	<b>575'410'419</b>

At 31 December 2021	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Liabilities to third parties	1'713'754	1'291'000	-	3'004'754
Liabilities to shareholders of the ultimate parent	1'568'195	14'287'755	-	15'855'950
Bank debts	2'188'745	226'843'462	-	229'032'207
Mortgages	2'428'320	14'154'105	10'428'981	27'011'406
Leases	10'282'892	19'527'671	-	29'810'564
Bonds	-	33'300'000	-	33'300'000
<b>Total at 31 December 2021</b>	<b>18'181'906</b>	<b>309'403'993</b>	<b>10'428'981</b>	<b>338'014'879</b>

In 2021, following the acquisition by funds managed and advised by the Carlyle Group alongside the Management and other external minority investors, the Acrotec Group restructured its debt to new financial instruments bearing interest at approximately 7% (see note 24), to repay the bond taken out in 2016 and to prepay part of the bonds taken out in 2017 and 2019.

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*).

The bonds were repaid for CHF 9'980'000 in the year 2022 and for CHF 65'020'000 in the year 2021; the bonds are full repaid by 31 December 2022.

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*).

The bonds were repaid for CHF 46'680'000 in the year 2021.

Collateral:

**Mortgages and Leases:** Fixed assets financed by leases or mortgages are pledged (see note 31).

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

**Bank debts:** The new bank debts contracted in 2021 require the pledging of two bank accounts and the shares of the main companies of the Acrotec Group (see note 31).

15. Other liabilities	31/12/2022	31/12/2021
Third parties	12'672'595	8'775'906
Patronage fund	1'879'304	1'856'828
Tax provision	10'700'382	5'360'872
Other liabilities to shareholders of the ultimate parent	3'728	27'009
	<b>25'256'010</b>	<b>16'020'614</b>
<b>Other short-term liabilities</b>	<b>24'210'458</b>	<b>14'984'638</b>
<b>Other long-term liabilities</b>	<b>1'045'552</b>	<b>1'035'977</b>

## Notes to the consolidated financial statements

16. Accrued liabilities and deferred income	31/12/2022	31/12/2021
Other accrued liabilities due to third parties	11'392'734	7'308'609
Other accrued liabilities due to shareholders of the ultimate parent	2'371'411	80'335
	<b>13'764'145</b>	<b>7'388'944</b>

## 17. Provisions

	Restructuring provision	Earnout to shareholder	Other provisions	Total
<b>At 1 January 2022</b>	-	10'166'400	1'776'921	11'943'321
Acquisition of subsidiaries	-	8'642'700	484'708	9'127'408
Creation	-	-	2'990'408	2'990'408
Utilisation	-	-10'166'400	-1'669'560	-11'835'960
Exchange rate impact	-	-	-12'704	-12'704
<b>At 31 December 2022</b>	-	8'642'700	3'569'772	12'212'472
<b>Current</b>	-	4'801'500	3'448'772	8'250'272
<b>Non-current</b>	-	3'841'200	121'000	3'962'200

	Restructuring provision	Earnout to shareholder	Other provisions	Total
<b>At 1 January 2021</b>	-	8'654'600	2'068'418	10'723'018
Acquisition of subsidiaries	-	-	128'095	128'095
Creation	-	7'011'800.00	1'533'660	8'545'460
Utilisation	-	-5'500'000	-1'927'279	-7'427'279
Released	-	-	-25'973	-25'973
<b>At 31 December 2021</b>	-	10'166'400	1'776'921	11'943'321
<b>Current</b>	-	10'166'400	1'565'921	11'732'321
<b>Non-current</b>	-	-	211'000	211'000

## Earnout to shareholders

As at 31 December 2022, the Group had outstanding commitments in relation to acquisitions made in 2022. At the balance sheet date, the Group estimates that earnouts to be paid based on performance target for 2022 and 2023 will amount to CHF 8'642'700.

As at 31 December 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 2022, the Group paid out CHF 10'166'400 in earnout which was accrued as at 31 December 2021.

## Other provisions

The majority of other provisions are bonus provisions amounting to CHF 2'885'493 as at 31.12.2022 (CHF 1'494'352 as at 31.12.2021).

## Notes to the consolidated financial statements

## 18. Income tax

The major components of income tax expenses for the years ended 31 December 2022 and 2021 are:

## a) Income tax expenses

	2022	2021
Current income taxes		
Current year income taxes	-14'067'840	-8'720'418
Adjustments in respect of prior years	103'398	-377'748
	<b>-13'964'442</b>	<b>-9'098'166</b>
Deferred taxes		
Relating to origination and reversal of temporary differences	-1'481'476	1'747'779
Relating to adjustment of tax rates on prior year deferred taxes	226'546	-415'598
Relating to capitalization and use of taxes carried forward	-331'141	-789'091
	<b>-1'586'071</b>	<b>543'091</b>
	<b>-15'550'513</b>	<b>-8'555'075</b>

## b) Group's effective tax rate

In 2022, the expected tax rate is lower than 2021.

In 2021, the expected tax expenses was not income despite the negative profit before income taxes. This was because profitable companies in fiscal year 2021 had a higher tax rate than companies with significant losses (due to the preferential tax treatment of holding companies, in particular).

The reconciliation between the theoretical and effective rate is presented below:

	2022	2021
Profit before income taxes	14'958'863	-2'942'587
Expected tax rate at weighted average applicable tax rate	30.17%	-32.83%
<b>Expected tax expenses at weighted average applicable tax rate</b>	<b>-4'513'646</b>	<b>-966'183</b>
Unrecognised deferred tax assets	-3'090'194	-3'060'575
Changes in tax rates on deferred tax	-226'546	415'598
Prior years' taxes	103'398	-377'748
Prior years' deferred taxes	-1'938'480	-879'663
Tax effect of non-tax deductible items	-5'381'248	-3'169'876
Other	-503'797	-516'628
<b>Effective tax expenses</b>	<b>-15'550'513</b>	<b>-8'555'075</b>
<b>Effective tax rate</b>	<b>103.96%</b>	<b>-290.73%</b>

The effective tax rate based on the ordinary result in the year under review was 103.90% (previous year -290.73%).

## c) Deferred tax

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

	31/12/2022	31/12/2021
Receivables from goods and services	-470'668	-298'129
Inventories	-5'381'855	-3'743'017
Prepayments and accrued income	-257'690	-74'528
Financial assets	1'106'017	1'058'467
Property, plant and equipment	-24'349'831	-17'446'709
Intangible assets	-1'457'216	-1'516'788
Long-term provisions	-2'055'904	-1'474'332
Loss carried forward	984'062	1'315'203
	<b>-31'883'086</b>	<b>-22'179'833</b>
Deferred tax assets	1'939'490	2'113'768
Deferred tax liabilities	-33'822'576	-24'293'600
	<b>-31'883'086</b>	<b>-22'179'833</b>
<b>Tax (expenses)/incomes from the change in deferred tax from temporary differences</b>	<b>-9'703'253</b>	<b>-1'325'503</b>
Variation due to acquired subsidiaries (Note 27)	-8'418'022	-1'972'875
Change in exchange rate	300'840	104'281
<b>Tax (expenses)/incomes from the change in deferred tax from temporary differences</b>	<b>-1'586'071</b>	<b>543'091</b>

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 two years, the share capital of Groupe Acrotec SA has developed as follows:

Balance sheet date	Registered shares	Share capital in CHF
31/12/2021	1'000 at CHF 100.00	100'000
31/12/2022	1'000 at CHF 100.00	100'000

## Capital reserves

Capital reserves include non-distributable, statutory or legal reserves amounting to CHF 58'761'321 (2021: CHF 36'221'872).

20. Net sales from goods and services	2022	2021
Net sales from goods and services from third parties	429'559'189	304'970'408
Net sales from goods and services from parent companies	1'232'551	1'564'189
Net sales from goods and services from shareholders of the ultimate parent	822'424	383'546
	<b>431'614'164</b>	<b>306'918'144</b>

Net sales by industry	2022	2021
Net sales Watches & Jewellery	233'169'081	157'423'372
Net sales Precision High Tech	104'002'030	82'241'641
Net sales MedTech	94'443'052	67'253'131
	<b>431'614'164</b>	<b>306'918'144</b>

Net sales by country	2022	2021
Net sales in Switzerland	251'116'568	182'944'370
Net sales in foreign countries	180'497'596	123'973'774
	<b>431'614'164</b>	<b>306'918'144</b>

21. Material purchases	2022	2021
Material costs	-90'721'547	-59'334'208
Tools and supplies	-11'847'453	-8'433'940
Cost of external services	-32'277'146	-24'919'078
Energy	-5'568'335	-3'750'898
Others raw material expenses	-3'500'085	-2'538'312
	<b>-143'914'566</b>	<b>-98'976'436</b>
Material expenses related to third parties	-142'860'163	-98'272'158
Material expenses related to shareholders of the ultimate parent	-1'054'404	-704'278
	<b>-143'914'566</b>	<b>-98'976'436</b>

22. Personnel expenses	2022	2021
Wages and salaries	-117'793'796	-89'279'093
Social security costs	-21'408'269	-17'178'541
Others personnel expenses	-10'679'942	-6'836'225
	<b>-149'882'006</b>	<b>-113'293'858</b>

In 2022, following a ruling of the Federal Supreme Court on pandemic-related short-time work compensation, the Group received CHF 192'255 in additional unemployment benefits, relating to compensation for vacation and public vacation. This amount is presented in the extraordinary result (note 26).

In 2021, the Group received CHF 1'066'747 in unemployment benefits, of which CHF 34'234 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 31.12.2021 CHF 75'871 are receivable and are presented in prepayment and accrued income from third parties (note 9).

23. Other operating expenses	2022	2021
Maintenance, rents and energy	-16'242'573	-11'673'436
Leasing	-91'662	3'247
Vehicle	-1'002'456	-722'791
Administration and IT	-8'041'297	-7'289'307
Insurance	-1'061'550	-858'934
Marketing and sales	-2'738'768	-1'509'953
Change in bad debt allowance	246'916	126'092
	<b>-28'931'390</b>	<b>-21'925'082</b>
Other operating expenses related to third parties	-24'525'140	-17'861'332
Other operating expenses related to shareholders of the ultimate parent	-4'406'250	-4'063'750
	<b>-28'931'390</b>	<b>-21'925'082</b>

## Notes to the consolidated financial statements

<b>24. Net financial result</b>	<b>2022</b>	<b>2021</b>
Financial income	1'099'520	887'706
Financial income to shareholders of the ultimate parent	15'737	46'200
	<b>1'115'257</b>	<b>933'907</b>
Financial expenses to shareholders of the ultimate parent	-34'976'619	-22'331'126
Financial expenses to shareholders of the ultimate parent	-407'399	-235'482
	<b>-35'384'017</b>	<b>-22'566'608</b>
	<b>-34'268'760</b>	<b>-21'632'701</b>

Financial income generated in 2022 and 2021 relates mainly to unrealized exchange gains and to remunerative interest on investments.  
Financial income to shareholders generated in 2022 and 2021 relates to remunerative interest on current accounts as well as unrealized exchange gains on these current accounts.

The financial expenses recorded in 2022 primarily relate to interests for CHF 26'081'621 (2021: CHF 6'107'280), and drawing costs of the new financing for CHF 5'967'118 (2021: CHF 4'770'658) (see notes 14 and 31).  
The interests on the bonds amount to CHF 932'103 in 2022 (2021: CHF 6'166'816).

In 2021, in addition, CHF 2'583'665 relate to a premium paid on early redemption of the bonds.

<b>25. Non-operating result</b>	<b>2022</b>	<b>2021</b>
Non-operating income	626'668	506'311
Non-operating income to shareholders of the ultimate parent	-	9'749
Non-operating expenses	-3'845'885	-1'473'065
Non-operating expenses to shareholders of the ultimate parent	-576'515	-17'517'376
	<b>-3'795'732</b>	<b>-18'474'381</b>

Non-operating income generated in 2022 and in 2021 relates mainly to sales of fixed assets, refund of non-operating tax and refund of an insurance.  
Non-operating income to shareholders generated in 2021 relates mainly to sales of fixed assets.

Non-operating expenses generated in 2022 and in 2021 relates to consulting fees (for mergers and acquisitions) and various taxes.

In 2022, CHF 573'922 were invoiced by CEP V Investement 11 Sàrl to Groupe Acrotec SA and Acrotec SA as per a recharge agreement signed in 2022, to account for the fees incurred in the context of the financing of the companies' acquisitions in year 2022.

In 2021, CHF 10'505'576 were invoiced by CEP V Investement 11 Sàrl to Groupe Acrotec SA and Acrotec SA as per a recharge agreement signed in 2021, to account for the fees, costs, lenders fees / commissions and expenses incurred in the context of the refinancing of the Acrotec group following its acquisition by CEP V Investement 11 Sàrl from the sellers. In addition, CHF 7'011'800 concern the adjustment of the earn-out provision (see note 17).

<b>26. Extraordinary result</b>	<b>2022</b>	<b>2021</b>
Non-recurring income	914'374	252'842
Net change in estimate of inventory	1'261'223	-
	<b>2'175'597</b>	<b>252'842</b>
Non-recurrent expenses	-2'008'944	-554'626
Net change in estimate of inventory	-	-77'133
	<b>-2'008'944</b>	<b>-631'759</b>
	<b>166'653</b>	<b>-378'916</b>

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

In 2022 non-recurring income is due to a prior year income adjustment of CHF 722'119 (CHF 252'842 in 2021).  
In 2022, following a ruling of the Federal Supreme Court on pandemic-related short-time work compensation, the Group received CHF 192'255 in additional unemployment benefits, relating to compensation for vacation and public vacation.

Moreover in 2022, non-recurring income is due to prior years income adjustments and a change in inventory valuation of CHF 1'261'223 (CHF -77'133 in 2021). Some companies adapted their costing methodologies with the policy of Acrotec Group. The impact of the change in estimate was recorded as an extraordinary item.

In 2022 non-recurring expenses is due to a prior year expenses adjustment of CHF 2'008'944 (CHF 554'626 in 2021).  
This amount includes CHF 1'709'339 of payroll expenses for employees of a group company have been classified as extraordinary result. This distinction was made as part of bonuses paid in the context of the company's sale to the Acrotec Group.

## Notes to the consolidated financial statements

**27. Business combinations**

In 2022, for companies, which are presented below, were acquired by the Group through four different acquisitions:

I. On 19 April 2022, the Group acquired 100% of the voting shares of Team Excellence Pte Ltd, which hold 0.24% of voting share of PT Team Metal Indonesia.

The Group acquired 100% of the voting shares of Team-Metal Pte Ltd which hold 99.76% of voting share of PT Team Metal Indonesia and 100% of voting share of Team Integration Sdn Bhd, Team Metal Co. Ltd. and Suzhou Team Metal Imp & Exp Co. Ltd.

They are unlisted companies based in Singapore, Indonesia, Malaysia and China.

Being a high-mix, low-volume, high precision mechanical products manufacturer, TM Group serves a wide range of industries segregated into 5 main segments: Life Sciences, Analytical equipment, Medical, Office Automation and Lifestyle.

II. On 4 May 2022, the Group acquired 100% of the voting shares of Horthyne SA. This is an unlisted company based in La Chaux-de-Fonds and the business consists in manufacturing specific components such as oscillating weights, stone setting, guilloche work, engraving for high end watch makers, concentrated mostly in Switzerland.

III. On 9 June 2022, the Group acquired 100% of the voting shares of Dynoul Holding SA which holds 100% of voting share of NEWCAP SA, which holds 100% of voting share of CAPSA - Camille Piquerez SA. They are unlisted companies based in La Neuveville.

CAPSA - Camille Piquerez SA's products are split into two activities, external watch parts and mechanical watch movements. Both activities involve manufacturing high precision and high-quality components, in precious metals and other metals, for watch movements.

IV. On 19 July 2022, the Group acquired 100% of the voting shares of Takumi Precision Engineering Ltd. This is an unlisted company based in Limerick (Ireland) and is a leading engineering solutions provider primarily in the aerospace, medical and industrial sectors, specialising in component manufacturing and assembly.

The Group acquired 100% of the voting shares of all four acquisitions and therefore took control of these subsidiaries.

Concerning the consolidation details, Team Excellence Pte Ltd, Team-Metal Pte, PT Team Metal Indonesia, Team Integration Sdn Bhd, Team Metal Co. Ltd., Suzhou Team Metal Imp & Exp Co. Ltd. have been fully consolidated since 19 April 2022.

Horthyne SA has been fully consolidated since 30 April 2022.

Dynoul SA, NEWCAP SA and CAPSA - Camille Piquerez SA have been fully consolidated since 31 May 2022.

Takumi Precision Engineering Ltd has been fully consolidated since 19 July 2022.

The following consideration was paid to acquire these companies:

Cash paid to vendors	189'769'834	The Group paid CHF 189'769'834 in cash as part of the consideration in accordance with the share purchase agreements.
Vendor loan	25'007'213	The Group financed a part of its acquisitions through vendor loans.
Outstanding earnout	8'642'700	To be achieved by 2023 and 2024
Acquisition costs	3'746'020	Acquisition costs correspond to consulting and legal expenses disbursed during the due diligence and integration process.
<b>Total</b>	<b>227'165'767</b>	

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	2022	2021
Purchase consideration paid (incl. acquisition-related costs)	227'165'767	27'646'972
	Acquired values	Acquired values
Current assets	80'979'016	6'126'509
Property, plant and equipment	47'136'231	19'365'672
Intangible assets	101'493'927	93'363
Financial assets	186'163	76'553
Current liabilities	-37'228'193	-4'569'954
Deferred tax liabilities	-8'418'022	-1'972'875
Long-term liabilities	-3'377'504	-7'648'061
Provisions	-82'496	-
<b>Net assets acquired</b>	<b>180'689'122</b>	<b>11'471'208</b>
<b>Goodwill</b>	<b>46'476'645</b>	<b>16'175'764</b>
Cash and cash equivalents acquired	-39'020'379	-985'282
Vendor loans	-25'007'213	-5'496'880
Earnout	-8'642'700	-
<b>Cash outflow on acquisition</b>	<b>154'495'475</b>	<b>21'164'811</b>

*Current assets*: The total amount is composed of cash and cash equivalents (CHF 39'020'379), short term financial assets (CHF 685'866), receivables from goods and services (CHF 11'308'893), other receivables (CHF 1'457'961), inventories (CHF 27'930'439) and prepaid expenses (CHF 575'478). Currents assets have been recorded in accordance with group accounting policies.

*Property, plant and equipment*: mostly relate to the production plants of the acquired companies and four buildings located in La Neuveville, one building located in Singapore and one building located in Indonesia was revalued at acquisition in accordance with Group accounting policies. The plants has been revalued to its actual value based on appraisals made by an independent real estate expert.

*Intangible assets*: The total amount is composed of software (CHF 55'779), other intangible assets (CHF 21'201) and customer relationship (CHF 101'416'947).

*Current liabilities*: The total amount is composed of payables from goods and services (CHF 4'977'346), financial liabilities (CHF 26'000'000), other payables (CHF 4'118'734) and accrued liabilities and deferred income (CHF 2'132'113). They have been recorded in accordance with group accounting policies.

*Deferred tax liabilities*: mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

*Long-term liabilities*: mostly relate to the debt of the acquired companies such as mortgage, short and long term bank debt, leaseings and liabilities to shareholders.

*Goodwill*: The surplus of acquisition cost over the newly valued net assets is designated as goodwill and is capitalised as an intangible asset. In accordance with Group accounting policies, the amortisation period of acquired goodwill is 20 years, which is sustainable as the industry in which the acquired entity operates is not changing very quickly and therefore the Group expect to able to benefits from the synergies generated by the acquisition during at least 20 years. Adjustments to the purchase price of an investment, such as earnouts, are recognized as goodwill (before 2022, adjustments to the purchase price were impacting goodwill only when occurring within 12 months after the date of acquisition).

In 2022, the net sales of the companies acquired by the Acrotec Group amounted to CHF 62'328'191 since the acquisition. Before the acquisition and integration in the consolidated financial statements, the 2022 net sales amounted to CHF 33'528'173.

## Notes to the consolidated financial statements

## 28. Groupe Acrotec principal Companies - as at 31.12.2022

	Country	Capital	Groupe Acrotec SA Share-holdings		Consolidation
			% voting	% rights	
<b>Switzerland</b>					
Acrotec SA, Develier **	Switzerland	5'203'457 CHF	100%	100%	Fully consolidated
Acrotec R&D SA, Boudry	Switzerland	100'000 CHF	100%	100%	Fully consolidated
AFT Micromécanique Suisse SA, Courgenay	Switzerland	100'000 CHF	100%	100%	Fully consolidated
AlphaDec SA, Court	Switzerland	100'000 CHF	100%	100%	Fully consolidated
Butech SA, Tavannes	Switzerland	200'000 CHF	100%	100%	Fully consolidated
CAPSA - Camille Piquerez SA, La Neuveville *	Switzerland	50'000 CHF	100%	100%	Fully consolidated
Décovi SA, Val Terbi	Switzerland	150'000 CHF	100%	100%	Fully consolidated
DIENER AG PRECISION MACHINING, Embrach	Switzerland	1'500'000 CHF	100%	100%	Fully consolidated
Diener Precision Pumps AG, Embrach	Switzerland	150'000 CHF	100%	100%	Fully consolidated
Dynoul SA, La Neuveville *	Switzerland	115'000 CHF	100%	100%	Fully consolidated
easyDec SA, Delémont ****	Switzerland	300'000 CHF	100%	100%	Fully consolidated
Générale Ressorts SA, Bienne	Switzerland	2'425'000 CHF	100%	100%	Fully consolidated
Groupe Acrotec SA, Develier	Switzerland	100'000 CHF	100%	100%	Fully consolidated
H2i Sàrl, Savigny	Switzerland	20'000 CHF	100%	100%	Fully consolidated
Horlyne SA, La Chaux-de-Fonds *	Switzerland	400'000 CHF	100%	100%	Fully consolidated
Kif Parechoc SA, Le Chenit ***	Switzerland	720'000 CHF	95%	95%	Fully consolidated
Mimotec SA, Sion	Switzerland	364'000 CHF	100%	100%	Fully consolidated
mu-DEC SA, Develier	Switzerland	100'000 CHF	100%	100%	Fully consolidated
NEWCAP SA, La Neuveville *	Switzerland	200'000 CHF	100%	100%	Fully consolidated
Petitpierre SA, Cortaillod	Switzerland	140'000 CHF	100%	100%	Fully consolidated
Pierhor-Gasser SA, Ecublens	Switzerland	100'000 CHF	100%	100%	Fully consolidated
Politremp SA, Courrendlin	Switzerland	100'000 CHF	100%	100%	Fully consolidated
PRECIPRO SA, La Chaux-de-Fonds	Switzerland	4'111'000 CHF	100%	100%	Fully consolidated
RCS Holding SA, Delémont	Switzerland	200'000 CHF	100%	100%	Fully consolidated
RODI HOLDING SA, Embrach	Switzerland	100'000 CHF	100%	100%	Fully consolidated
Sigatec SA, Sion	Switzerland	400'000 CHF	50%	50%	Proportionally consolidation
STS Saulcy Traitement de Surface SA, Le Chenit	Switzerland	120'000 CHF	100%	100%	Fully consolidated
Tectri SA, Valbirse	Switzerland	100'000 CHF	100%	100%	Fully consolidated
Vardeco SA, Develier	Switzerland	300'000 CHF	100%	100%	Fully consolidated
Watchdec SA, Courgenay	Switzerland	100'000 CHF	100%	100%	Fully consolidated
<b>Europe</b>					
A.F.T. MICROMECHANIQUE SAS, Fillinges	France	125'000 EUR	100%	100%	Fully consolidated
D.J.C DECOLLETAGE JEAN CORDIER SAS, Thyez	France	7'724'680 EUR	100%	100%	Fully consolidated
MICROWELD SAS, Chavanod	France	200'000 EUR	100%	100%	Fully consolidated
ROCH MECANIQUE DE PRECISION SAS, Reignier-Esery	France	48'000 EUR	100%	100%	Fully consolidated
Takumi Precision Engineering Ltd, Limerick *	Irlande	7'904 EUR	100%	100%	Fully consolidated
<b>America</b>					
Diener Precision Pumps Inc, Lodi	United States	1'000.00 USD	100%	100%	Fully consolidated
Vardeco Inc, Westborough	United States	97.33 USD	100%	100%	Fully consolidated
<b>Asia</b>					
PT Team Metal Indonesia, Kota Batam*	Indonesia	46'892'593'049 IDR	100%	100%	Fully consolidated
Suzhou Team Metal Imp & Exp Co. Ltd., Suzhou*	China	100'000 CNY	100%	100%	Fully consolidated
Team Metal Co. Ltd., Suzhou*	China	28'082'699 CNY	100%	100%	Fully consolidated
Team Integration Sdn Bhd, Johor Darul Takzim*	Malaysia	100'000 MYR	100%	100%	Fully consolidated
Team Excellence Pte Ltd, Singapore*	Singapore	1 SGD	100%	100%	Fully consolidated
Team-Metal Pte Ltd, Singapore*	Singapore	6'800'000 SGD	100%	100%	Fully consolidated

\* Acquired company in 2022

\*\* In 2022, FX &amp; Associés Holding SA and Petitpierre Holding SA merged with Acrotec SA (surviving entity). Both companies were 100% owned by the Group as at 31.12.2021.

\*\*\* In 2022, K2A Sàrl merged with Kif Parechoc SA (surviving entity). K2A Sàrl was 100% owned by the Group as at 31.12.2021 and Kif Parechoc SA was 94.76% owned by the Group as at 31.12.2021.

\*\*\*\* In 2022, AlphaDec Sàrl merged with easyDec SA (surviving entity). Both companies were 100% owned by the Group as at 31.12.2021.

## Notes to the consolidated financial statements

## 29. Retirement benefit obligations

## Employer contribution reserves (ECR) in CHF:

2022	Nominal value 31.12.2022	Waiver of use 31.12.2022	Balance sheet 31.12.2022	Accumulation 2022	Balance sheet 31.12.2021	Result from ECR in personnel expenses	
						2022	2021
Patronage funds/ patronage pension plans	535'827	-	535'827	9'587	526'240	-	-
Pension institutions	2'760'588	-	2'760'588	-132'845	2'893'433	-	-
	<b>3'296'416</b>	-	<b>3'296'416</b>	<b>-123'257</b>	<b>3'419'673</b>	-	-

  

2021	Nominal value 31.12.2021	Waiver of use 31.12.2021	Balance sheet 31.12.2021	Accumulation 2021	Balance sheet 31.12.2020	Result from ECR in personnel expenses	
						2021	2020
Patronage funds/ patronage pension plans	526'240	-	526'240	88'215	438'025	-	-
Pension institutions	2'893'433	-	2'893'433	246'932	2'646'501	-	-
	<b>3'419'673</b>	-	<b>3'419'673</b>	<b>335'147</b>	<b>3'084'526</b>	-	-

## Economic benefit / economic obligation and pension benefit expenses

2022	Surplus/ deficit	Group's economic share	Change from previous year		Contributions for the business period	Pension costs within personnel expenses 2)
			no income statement impact	income statement impact		
Patronage funds / patronage pension plans	8'658'561	-	-	-	-	-
Pension plans without surplus / deficit	-	-	-	-	-5'792'741	-5'792'741
Pension plans with surplus 1)	-	-	-	-	-991'125	-991'125
	<b>8'658'561</b>	-	-	-	<b>-6'783'865</b>	<b>-6'783'865</b>

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 2022 the amount of relevant contributions (employer contributions) is CHF 1'984'908.

2021	Surplus/ deficit	Group's economic share	Change from previous year		Contributions for the business period	Pension costs within personnel expenses 2)
			no income statement impact	income statement impact		
Patronage funds / patronage pension plans	6'309'228	-	-	-	-	-
Pension plans without surplus / deficit	-	-	-	-	-4'754'899	-4'754'899
Pension plans with surplus 1)	-	-	-	-	-660'339	-660'339
	<b>6'309'228</b>	-	-	-	<b>-5'415'239</b>	<b>-5'415'239</b>

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 2021 the amount of relevant contributions (employer contributions) is CHF 1'650'908.

## 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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: 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	2022	1'232'551	-2'856	32'357	118'262	-
	2021	1'564'189	-653	26'988	1'759	-
Shareholders of the ultimate parent company	2022	822'424	-2'814'332	-3'614'498	129'683	-51'058'494
	2021	383'546	-19'571'081	-2'893'855	83'989	-16'068'733

## Parent companies

In 2022, revenues from related parties were mainly generated from raw materials and goods sold to parent companies (similar to 2021).

## Shareholders of the ultimate parent

In 2022, 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 73'162 (2021: CHF 266'530). 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 720'127 (2021: CHF 886'890) have been recorded for the period 2022. 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 407'399 (2021: CHF 235'482) in relation to the borrowings made by the shareholders of the ultimate parent. In 2022, a loan was granted to shareholders of ultimate parents and it generated a financial income of CHF 15'737 (2021: CHF 46'200).

In 2022, CHF 573'922 were invoiced by CEP V Investement 11 Sàrl to Groupe Acrotec SA and Acrotec SA as per a recharge agreement signed in 2022, to account for the fees incurred in the context of the financing of the companies' acquisitions in year 2022.

In 2021, CHF 10'505'576 were invoiced by CEP V Investement 11 Sàrl to Groupe Acrotec SA and Acrotec SA as per a recharge agreement signed in 2021, to account for the fees, costs, lenders fees / commissions and expenses incurred in the context of the refinancing of the Acrotec group following its acquisition by CEP V Investement 11 Sàrl from the sellers (see note 25). An additional CHF 4'770'658 of drawing costs of credit line were recorded as financial expenses later in the year, as a result of successive drawings at Acrotec Group, in the context of the continuing refinancing of the group (see note 24).

In addition, CHF 7'011'800 concern the adjustment of the earn-out provision (see note 17).

In 2021, non-operating expenses of CHF 339'812 to shareholder are the result on the sale of a building to a related party.

In 2022, rents for CHF 3'618'338 were collected by companies owned by shareholders of ultimate parent company (2021: CHF 2'914'175).

In 2022, a company of Acrotec Group recharged CHF 3'840 in administrative costs to a shareholder of the ultimate parent company (2021: CHF 20'319).

The amount owed by related parties corresponds to current accounts, accounts receivables and loans with shareholders of the ultimate parent for CHF 129'683 (2021: CHF 83'989).

In 2022, the financial liabilities of CHF 16'056'361 (2021: CHF 3'091'730) are owed to shareholders in the relation to vendor loans (bearing interest for CHF 313'837 in 2022 and for CHF 51'565 in 2021, recorded in accruals) underwritten during the acquisition of subsidiaries. Moreover, earnout of CHF 8'642'700 (2021: 10'166'400) related to 2022 companies acquisitions are due to shareholder of ultimate parent (provisions).

Finally, CHF 167'598 are owed to shareholders as current account and accounts payables (2021: CHF 132'448).

In 2022, the non current financial liabilities of CHF 32'463'123 (2021: CHF 12'764'220) are owed to shareholders as financial loans (bearing interest for CHF 94'467 in 2022 and for CHF 31'780 in 2021).

## Notes to the consolidated financial statements

## 31. Commitments and contingencies

a. Contingent assets and liabilities	31/12/2022	31/12/2021
Guarantee for credit line	-	-
Guarantee for bank debts (pledged bank accounts)	-	79'363
	-	79'363

The new bank debts contracted in 2021 require the pledge of two bank accounts (balances at CHF 0 as of 31.12.2022) and the shares of the main companies of the Acrotec Group.

b. Pledged assets	31/12/2022	31/12/2021
Building	81'315'980	56'291'001
Machine under lease	48'746'281	35'803'330
Vehicle under lease	2'426'706	2'383'459
Equipment under lease	2'788'384	3'119'294
IT under lease	276'475	223'123
	135'553'826	97'820'207

## 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:

	31/12/2022	31/12/2021
Between 1 and 5 years	21'012'606	20'519'607
Over 5 years	11'580'043	14'706'049
	32'592'649	35'225'656

## d. Precious metal loan

On 17 May 2022 and on 17 June 2022, the Group concluded two metal loans with a Swiss bank for 252kg (see note 8.1) ; the term of this loan is 6 months, renewable.

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

## e. Derivative

In order to protect against adverse changes in the interest rate market, Groupe Acrotec entered into hedging derivative contracts. The group is exposed to changes in SARON and SOFR as variable components of the credit facilities interest rates (contractually agreed future cash flows which will occur with a high probability). The hedging instruments contracted are an interest rate swap and an interest rate cap. These hedging derivative instruments have consequently no effect on the balance-sheet and income statement but they are disclosed below :

Product	Underlying assets	Start date	Maturity date	Fixed Rate	Trade value	Trade value CHF
Swap	275'800'000 CHF	30/11/2022	30/11/2024	1.61%	-531'012	-531'012
Interest Rate swap	275'800'000 CHF	25/10/2022	29/11/2024	0.00%	501'004	501'004
Interest Rate swap	93'600'000 USD	27/10/2022	29/11/2024	0.00%	526'925	486'510

## 32. Subsequent events after the year-end closing

In January 2023, the Group signed a SPA for the acquisition of 100% of the voting shares in Visco LLC ("Axial"). Axial is a leading manufacturer of high-precision components for the medical industry. The transaction closed on 31 January 2023.

In December 2022, the Group signed a Letter of intent for the acquisition of 10% of the voting share in a small Swiss company. This company is specialised in Swiss turning in particular for our Precision High Tech division. The transaction will close on November 2023.

In addition, the Group is currently reviewing a number of additional opportunities, some of them being in the due diligence phase.