

GOUPE ACROTEC SA
DEVELIER

STATUTORY AUDITOR'S REPORT
Consolidated Financial Statements
December 31, 2019

**Report of the statutory auditor to the General Meeting
of Groupe Acrotec SA, Develier****Report on the Audit of the Consolidated Financial Statements****Opinion**

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

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, 2019, its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

- Acquisition of companies
- Carrying value of goodwill
- Valuation of inventories

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

Acquisition of companies

Areas of focus

The Group completed the acquisitions of six companies during the financial year 2019. The group acquired 100% of the share capital of Roch Mécanique de Précision SAS, Tectri SA, Diener AG Precision Machining, Rodi Holding AG which holds 100% of the share capital of Diener Precision Pumps AG and Diener Precision Pumps Inc. The total purchase price for the acquisitions of these companies amounted to CHF 128.5 million. The acquisitions resulted in the recognition of a goodwill of CHF 42.9 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 2019 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

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 258.8 million representing 42% 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 of the methodology used by management to prepare its cash-flows forecasts. We challenged management as to the feasibility of reaching the expected cash flows. In addition, we assessed the main parameters used in the calculation of the weighted average cost of capital from which the discount rate is derived.

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

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

Valuation of inventories

Areas of focus

Inventory of CHF 56.9 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 this 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.

As the Group is still in growing phase, including through acquisition, the costing is improved progressively. In 2019, the costing was completely reviewed in various productions entities to be fully aligned with group requirements.

Our audit response

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

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

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

MAZARS SA

Michael Ackermann
Licensed Audit Expert
(Auditor in Charge)

Sébastien Gianelli
Licensed Audit Expert

Lausanne, April 27, 2020

Enclosure

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

Consolidated Balance sheet

Assets (CHF)	Notes	31/12/2019	31/12/2018
Cash and cash equivalents		64 916 827	38 788 300
Financial assets	10	762 364	340 708
Receivables from goods and services	6	35 186 618	22 963 564
Other short-term receivables	7	3 333 709	2 111 910
Inventories	8	56 977 708	44 511 763
Prepayments and accrued income	9	2 117 501	1 089 212
Current assets		163 294 727	109 805 457
Financial assets	10	9 496 482	7 678 109
Property, plant and equipment	11	157 754 966	103 872 207
Intangible assets	12	285 470 066	233 006 984
Deferred tax assets	18	583 804	704 885
Non-current assets		453 305 317	345 262 185
Assets		616 600 045	455 067 643
Liabilities and equity (CHF)	Notes	31/12/2019	31/12/2018
Payables from goods and services	13	11 951 856	7 719 402
Financial liabilities	14	19 558 816	18 120 715
Other short-term liabilities	15	11 415 790	8 989 367
Accrued liabilities and deferred income	16	8 240 969	5 697 935
Short-term provisions	17	31 908 327	1 602 914
Current liabilities		83 075 758	42 130 334
Financial liabilities	14	300 884 455	206 261 335
Deferred tax liabilities	18	22 766 027	16 028 697
Other long-term liabilities	15	896 696	597 628
Long-term provisions	17	6 485 877	150 000
Non-current liabilities		331 033 055	223 037 660
Liabilities		414 108 812	265 167 994
Share capital	19	100 000	100 000
Capital reserves		160 210 894	160 210 894
Retained earnings		41 301 564	27 817 607
Translation differences		-539 785	512 957
Equity attributable to owner of Acrotec Group		201 072 673	188 641 458
Non-controlling interests		1 418 560	1 258 190
Liabilities and equity		616 600 045	455 067 643

Consolidated income statement

in CHF	Notes	2019	2018
Net sales from goods and services	3 / 20	223 360 719	179 620 123
Other operating Income		3 321 031	4 227 560
Change in inventory of finished and unfinished goods	8	6 013 062	4 777 812
Operating revenues		232 694 812	188 625 495
Material purchases	21	-68 945 880	-58 841 404
Personnel expenses	22	-83 063 019	-66 117 312
Other operating expenses	23	-18 629 763	-15 762 653
Operating expenses		-170 638 662	-140 721 369
Earnings before interest, tax and amortisation (EBITDA)		62 056 150	47 904 126
Depreciation and impairment on tangible fixed assets	11	-14 667 391	-11 137 184
Amortisation and impairment on intangible fixed assets	12	-16 256 394	-13 240 740
Total amortisation and depreciation		-30 923 785	-24 377 924
Earnings before interest and tax (EBIT)		31 132 365	23 526 202
Net financial result	24	-8 464 682	-8 174 372
Ordinary profit		22 667 683	15 351 831
Non-operating result	25	-726 837	-1 682 206
Extraordinary result	26	-1 338 895	213 780
Profit before income taxes		20 601 951	13 883 405
Income taxes	18	-6 712 304	-5 414 038
Profit for the year		13 889 646	8 469 367
Attributable to shareholders of Groupe Acrotec SA		13 483 956	8 058 107
Attributable to non-controlling interests		405 690	411 260
Earnings per shares (EPS) - in CHF per share :			
Bearer shares			
Basic earnings per share	4	13 484	8 058
Diluted earnings per share	4	13 484	8 058

Consolidated statement of cash flows

in CHF	Notes	2019	2018
Profit for the year		13 889 646	8 469 367
Depreciation and impairment on tangible fixed assets	11	14 667 391	11 137 184
Amortisation and impairment on intangible fixed assets	11	16 256 394	13 240 740
Change in bad debt allowance	23	-221 637	66 297
Result on the disposal of PPE	11	-103 724	-104 641
Result on the sale of gold	8	-455 597	-
Changes in deferred tax	18	30 475	-716 564
Finance costs		8 464 682	8 174 372
Other expense / income without cash impact		321 563	1 149 035
Changes in short term provisions	17	394 208	-1 684 512
Changes in long term provisions	17	146 000	-800 000
Changes in working capital		-8 544 899	-3 819 165
Changes in other long-term liabilities		42 389	-93 665
Cash flow from operating activities		44 886 891	35 018 446
Acquisition of financial assets		-1 420 054	-3 360 000
Proceeds from the disposal of financial assets		-	228 533
Proceeds from disposal of property, plant and equipment	11	256 951	232 696
Proceeds from sale of gold	8	4 944 500	-
Purchase of property, plant and equipment	11	-10 475 533	-6 949 780
Purchase of intangible assets	12	-2 868 226	-2 721 516
Acquisition of subsidiaries, net of cash acquired	27	-57 717 194	-24 026 293
Cash flow from investing activities		-67 279 555	-36 596 360
Acquisition of non-controlling interests		-	-32 000
Dividends paid to non-controlling interests		-245 320	-346 667
Changes in short-term financial liabilities		-8 873 462	1 634 334
Changes in long-term financial liabilities		66 259 665	-19 726 446
Interest paid		-8 270 190	-8 174 372
Cash from financing activities		48 870 692	-26 645 150
Change in cash and cash equivalents		26 478 028	-28 223 064
At beginning of year		38 788 300	67 454 882
Net foreign exchange difference		-349 501	-443 517
At end of year		64 916 827	38 788 300
Change in cash and cash equivalents		26 478 028	-28 223 064

Consolidated statement of change in equity

In CHF	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Total		
Balance at 1 January 2018	100 000	160 210 894	949 718	19 741 767	181 002 379	1 243 330	182 245 709
Capital contribution reserve	-	-	-	-	-	-	-
Net income	-	-	-	8 058 107	8 058 107	411 260	8 469 367
Dividends paid	-	-	-	-	-	-346 667	-346 667
Allocation to capital reserves	-	-	-	-	-	-	-
Changes in non-controlling interests *	-	-	-	17 733	17 733	-49 733	-32 000
Translation differences	-	-	-436 761	-	-436 761	-	-436 761
Balance at 31 December 2018	100 000	160 210 894	512 957	27 817 607	188 641 458	1 258 190	189 899 648
Capital contribution reserve	-	-	-	-	-	-	-
Net income	-	-	-	13 483 956	13 483 956	405 690	13 889 646
Dividends paid	-	-	-	-	-	-245 320	-245 320
Allocation to capital reserves	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-
Translation differences	-	-	-1 052 742	-	-1 052 742	-	-1 052 742
Balance at 31 December 2019	100 000	160 210 894	-539 785	41 301 564	201 072 673	1 418 560	202 491 233

* Acquisition of 8 shares of KIF-Parechoc SA (company of Group Acrotec - fully consolidated - since 2006).

Notes to the consolidated financial statements

1. Corporate information

Groupe Acrotec SA (the Company) and its subsidiaries (collectively the Group) is an independent Group active in micro-mechanical and watchmaking sectors.

The Group offers to the market high quality Swiss made products.

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

These consolidated financial statements were approved for issue by the Board of Directors on 27 April 2020.

2. Summary of significant accounting policies

a. Basis of preparation

These consolidated financial statements provide a true and fair view of Groupe Acrotec's assets, financial position and earnings, and have been drawn up in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The consolidated financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs and on the going concern principle. The statements are presented in Swiss francs (CHF) without cents which may create some not significant differences due to roundings.

Changes in comparative figures

Some comparative figures have been restated to improve the quality of the published data, without impact on consolidated profit for the year 2018 :

- Software reclassified from tangible to intangible assets
- Tax provision reclassified from provision to other short term liabilities
- Interests on leasing reclassified from prepaid expenses to financial liabilities

b. Consolidation policies; business combinations and goodwill

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

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

Notes to the consolidated financial statements

c. Scope of consolidation

At 31 December 2019, the Group's consolidation structure comprised 35 legal entities (2018: 29), 33 are fully consolidated and one is proportionally consolidated. Note 28 includes a complete list of Group companies. Vardeco Inc, an US company owned by the Group is not included in the scope. As this entity is dormant, it would have a minor impact on the consolidated result and has been assessed as not significant.

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.

e. Foreign currency translation

Foreign currency translation

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

Conversion of financial statements of foreign subsidiaries

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

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

Currency	Unit	Average rate	Prevailing	Average rate	Prevailing
		2019	31/12/2019	2018	31/12/2018
		CHF	CHF	CHF	CHF
EUR	1.00	1.1125	1.0874	1.1549	1.1373
USD	1.00	0.9937	0.9683	n/a	n/a

Notes to the consolidated financial statements

f. Cash and cash equivalents

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

g. Receivables from goods and services

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

h. Inventories

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

i. Financial assets

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

j. Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements

k. Intangible assets

Goodwill

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

Capitalized development costs

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

Customer relationship

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

Software

Purchased licenses giving the right to use new technologies or software are capitalized and are amortized over their estimated life, which is three years. Internally developed software are 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 in the balance sheet are amortized on a straight-line basis over the economic life (maximum three years).

Other intangible assets

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

l. Impairment of assets

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

m. Provisions

Provisions are recognized:

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

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

Notes to the consolidated financial statements

n. Financial liabilities

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

o. Income taxes

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

Current income tax

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

Deferred tax

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

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

p. Pensions and other post-employment benefits

Pension obligations

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

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

Notes to the consolidated financial statements

q. Share capital and treasury shares

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

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

r. Sales and revenue recognition

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

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

s. Dividends

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

t. Leases

Finance leases

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

Operating leases

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

u. Non-operating activities

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

v. Extraordinary

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

Notes to the consolidated financial statements

3. Segment information

a. Operating segment information

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

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

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

2019 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	134 738 926	68 200 075	19 510 772	-	-	222 449 773
- Group	10 883 285	4 723 977	174 292	5 923 372	-20 793 980	910 945
Net Sales	145 622 211	72 924 052	19 685 064	5 923 372	-20 793 980	223 360 719
Operating result	40 787 522	16 330 703	4 671 891	266 034	-	62 056 150
In % of net sales	28.0%	22.4%	23.7%	4.5%	0.0%	27.8%

2018 in CHF	Watches & Jewellery	Precision High Tech	MedTech	Corporate Services	Elimination	Total
- Third parties	114 836 886	58 676 519	5 451 072	-	-	178 964 477
- Group	9 018 124	2 343 561	84 115	6 056 672	-16 846 826	655 646
Net Sales	123 855 010	61 020 081	5 535 186	6 056 672	-16 846 826	179 620 123
Operating result	32 047 337	13 871 999	1 386 001	598 789	-	47 904 126
In % of net sales	25.9%	22.7%	25.0%	9.9%	0.0%	26.7%

b. Information on geographical regions

	2019		2018	
in CHF	Net Sales	Operating result *	Net Sales	Operating result *
- Switzerland	146 712 290	45 946 275	112 846 468	32 336 292
- Other Europe	58 718 182	12 179 570	54 059 130	12 611 833
Total Europe	205 430 473	58 125 845	166 905 597	44 948 125
Total America	13 053 402	3 113 850	9 270 790	2 230 220
Total Asia	4 876 844	816 456	3 443 736	725 781
Total:	223 360 719	62 056 150	179 620 123	47 904 126

* 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

	2019	2018
Net income attributable to shareholders of Groupe Acrotec SA (in CHF)	13 483 956	8 058 107
Percentage of registered shares outstanding in comparison with the share capital outstanding	100%	100%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	0%	0%
Registered shares		
Net income attributable to registered shareholders	13 483 956	8 058 107
Average number of shares outstanding	1 000	1 000
Basic earnings per shares (in CHF)	13 484	8 058
Bearer shares		
Net income attributable to bearer shareholders	-	-
Average number of shares outstanding	-	-
Basic earnings per shares (in CHF)	-	-

b) Diluted

	2019	2018
Registered shares		
Net income attributable to registered shareholders	13 483 956	8 058 107
Average number of shares outstanding (basic)	1 000	1 000
Potential number of shares from options outstanding	-	-
Average potential number of shares outstanding (diluted)	1 000	1 000
Diluted earnings per shares (in CHF)	13 484	8 058
Bearer shares		
Net income attributable to bearer shareholders	-	-
Average number of shares outstanding (basic)	-	-
Potential number of shares from options outstanding	-	-
Average potential number of shares outstanding (diluted)	-	-
Diluted earnings per shares (in CHF)	-	-

5. Dividends paid and proposed

The Annual General Meeting approved that no dividends be paid during 2019 and 2018.

Notes to the consolidated financial statements

6. Receivables from goods and services	31/12/2019	31/12/2018
Trade receivables from third parties - gross value	36 235 251	24 237 061
Trade receivables from group	200 749	82 897
Allowance for impaired receivables	-1 249 381	-1 356 394
	35 186 618	22 963 564
7. Other short-term receivables	31/12/2019	31/12/2018
Other receivables from third parties	3 324 909	2 079 076
Other receivables from shareholders	8 800	32 834
	3 333 709	2 111 910
8. Inventories	31/12/2019	31/12/2018
Raw materials, auxiliary material and supplies	16 565 116	15 949 122
Goods in progress	23 440 049	18 472 246
Advanced payment related to goods in progress	-2 347 634	-3 155 433
Finished goods	28 968 488	22 522 727
Allowance for impaired inventories	-9 648 311	-9 276 900
	56 977 708	44 511 763
Change in inventory of finished and unfinished goods as well as unbilled goods and services	6 013 062	4 777 812
Change in inventory of raw material expense	207 167	1 574 000
Net change in estimate for inventories valuation (Note 26)	-1 298 231	34 027
Sale of gold	-4 488 903	-
	433 095	6 385 839
On 18 July 2019, the Group sold 110 kg of gold for CHF 4'944'500 to a Swiss bank with a view to carrying out a precious metals loan transaction; this inventory was valued at CHF 4'488'903 (see Note 31 d). The result of the transaction was recognised in non-operating result (see note 25).		
9. Prepayments and accrued income	31/12/2019	31/12/2018
Prepayment and accrued income from third parties	1 637 501	1 089 212
Prepayment and accrued income to parent entities	480 000	-
	2 117 501	1 089 212
10. Financial assets	31/12/2019	31/12/2018
Investment portfolio	762 364	340 708
Equity investment	55 000	-
Financial assets to third parties	3 895 100	3 386 608
Allowance for impaired financial assets	-270 848	-267 102
Capitalized financial expenses	1 169 098	523 624
Assets from employers contributions reserves to pension institutions (refer to note 29)	4 648 132	4 034 979
	10 258 846	8 018 817
Current	762 364	340 708
Non-current	9 496 482	7 678 109

Notes to the consolidated financial statements

11. Property, plant and equipment

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

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

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

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
Historical cost, 31 December 2017 restated	2 079 926	47 704 733	101 889 580	17 504 553	937 567	170 116 358
Acquisition of subsidiaries (Note 27)	-	-	16 061 057	2 390 644	-	18 451 701
Additions	-	249 166	13 627 624	2 218 730	890 448	16 985 968
Disposals	-4 560	-	-1 553 525	-453 410	-	-2 011 495
Transfers	-	845 003	-	-	-845 003	-
Exchange rate impact	-	-111 529	-217 403	-236 132	-	-565 064
Historical cost, 31 December 2018 restated	2 075 366	48 687 372	129 807 333	21 424 385	983 011	202 977 467
Accumulated depreciation, 31 December 2017 restated	-	-17 335 675	-50 903 836	-12 840 527	-	-81 080 037
Acquisition of subsidiaries (Note 27)	-	-	-7 742 349	-1 214 067	-	-8 956 417
Additions	-	-	-	-134 092	-	-134 092
Annual depreciation	-	-803 206	-8 574 844	-1 723 424	-	-11 101 474
Impairment	-	-	-35 710	-	-	-35 710
Depreciation on disposals	-	-	1 547 675	340 422	-	1 888 097
Exchange rate impact	-	17 346	90 789	206 237	-	314 373
Accumulated depreciation, 31 December 2018 restated	-	-18 121 535	-65 618 275	-15 365 451	-	-99 105 260
Net book values :						
Balance at 31 December 2017 restated	2 079 926	30 369 058	50 985 745	4 664 026	937 567	89 036 321
Balance at 31 December 2018 restated	2 075 366	30 565 837	64 189 058	6 058 934	983 011	103 872 207

In 2018, impairment is related to technical equipment that was no longer used.
The total amount of advanced payments recorded in 2018 as PPE is CHF 1'162'815.

These figures included leased machinery for CHF 21'164'078 (CHF 26'408'097 less accumulated depreciation of CHF 5'244'019), leased equipments for CHF 2'447'453 (CHF 2'987'739 less accumulated depreciation of CHF 540'286), leased vehicles for CHF 1'522'223 (CHF 2'756'112 less accumulated depreciation of CHF 1'226'119) and leased IT for CHF 336'621 (CHF 687'730 less accumulated depreciation of CHF 351'109).

In 2018 opening balance, a gross amount of CHF 266'814 has been reclassified from PP&E (Other equipment & fixtures) to intangible assets and relates to software. An amount of accumulated depreciation of CHF 188'190 of software has also been reclassified to intangible assets.

In addition, in opening balance 2018, CHF 13'074'630 in gross fixed assets was netted with accumulated depreciation in order to present the gross values in line with reality.

Notes to the consolidated financial statements

12. Intangible assets

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

Net book values :

Balance at 31 December 2018 restated	229 299 190	2 957 182	-	750 611	-	233 006 984
Balance at 31 December 2019	258 825 316	6 143 026	19 124 772	1 223 187	153 765	285 470 066

	Goodwill	Capitalized development costs	Customer relationship	Software	Other intangible assets	Total
Historical cost, 31 December 2017 restated	247 208 770	1 784 439	-	266 815	332 707	249 592 730
Acquisition of subsidiaries (Note 27)	21 663 721	315 384	-	231 469	-	22 210 574
Additions	-	1 969 258	-	752 258	-	2 721 516
Exchange rate impact	-	-	-	-1 781	-	-1 781
Historical cost, 31 December 2018 restated	268 872 491	4 069 079	-	1 248 760	332 707	274 523 037
Accumulated amortisation 31 December 2017 restated	-27 175 621	-291 937	-	-188 190	-332 707	-27 988 456
Acquisition of subsidiaries (Note 27)	-	-75 585	-	-212 185	-	-287 770
Annual amortisation	-12 397 679	-744 376	-	-98 685	-	-13 240 740
Exchange rate impact	-	-	-	911	-	911
Accumulated amortisation, 31 December 2018 restated	-39 573 300	-1 111 898	-	-498 149	-332 707	-41 516 054

Net book values :

Balance at 31 December 2017 restated	220 033 148	1 492 501	-	78 624	-	221 604 274
Balance at 31 December 2018 restated	229 299 190	2 957 182	-	750 611	-	233 006 984

Notes to the consolidated financial statements

13. Payables from goods and services	31/12/2019	31/12/2018
Payables to third parties	11 948 287	7 716 035
Payables to parent entities	3 569	3 367
	11 951 856	7 719 402

14. Financial liabilities

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

At 31 December 2018	Up to 1 year	Between 1 and 5 years	Overs 5 years	Total
Liabilities to third parties	3 265 135	500 000	-	3 765 135
Liabilities to shareholders	6 248 874	1 588 160	-	7 837 034
Bank debts	1 841 511	2 588 327	-	4 429 838
Mortgages	661 020	3 044 080	10 360 031	14 065 131
Leases	6 104 175	12 180 737	-	18 284 913
Bonds	-	176 000 000	-	176 000 000
Total at 31 December 2018	18 120 715	195 901 305	10 360 031	224 382 051

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

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

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

Collateral:

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

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

15. Other liabilities	31/12/2019	31/12/2018
Third parties	6 991 447	4 171 727
Patronage fund	1 248 140	975 831
Tax provision	3 655 482	4 078 361
Other liabilities to shareholders	417 418	361 076
	12 312 487	9 586 995
Other short-term liabilities	11 415 790	8 989 367
Other long-term liabilities	896 696	597 628
16. Accrued liabilities and deferred income	31/12/2019	31/12/2018
Other accrued liabilities due to third parties	7 509 682	5 620 257
Other accrued liabilities due to shareholders	731 287	77 679
	8 240 969	5 697 935

Notes to the consolidated financial statements

17. Provisions

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

	Restructuring provision	Earnout to shareholder	Other provisions	Total
At 1 January 2018	94 846	-	950 000	1 044 846
Acquisition of subsidiaries	-	-	20 388	20 388
Creation	-	-	1 569 866	1 569 867
Utilisation	-82 186	-	-	-82 186
Released	-	-	-800 000	-800 000
At 31 December 2018	12 660	-	1 740 254	1 752 914
Current	12 660	-	1 590 254	1 602 914
Non-current	-	-	150 000	150 000

Restructuring

Following the acquisition of Pierhor SA and Gasser-Ravussin SA in 2017, the Group created the Pierhor-Gasser Jewels Division. The cost of restructuration generated by the combination of the two manufacturing plants and the change of organisation was CHF 969'796 (See note 25) in 2017. Following the merger between these two companies, no more provision needed as at 31 december 2019.

Earnout to shareholder

As at 31 December 2019, the Group has outstanding earnout commitments in relation to acquisitions made during 2019. In respect of the acquisition of Tectri, the purchase price includes an earnout based on a performance target related to 2019 financials. In respect of the acquisition of DPM and DPP the purchase price includes earnouts based on performance target for 2019, 2020 and 2021. At the balance sheet date, this amount is management's best estimate. Earnout to be paid in 2020 are presented as a short-term provision. Those to be paid in 2021 and 2022 are presented as long-term.

Other provisions

The majority of other provisions are bonus provisions amounting to CHF 1'479'108 as at 31.12.2019 (CHF 1'292'250 as at 31.12.2018).

Moreover, one company of the Group is involved in litigation arising from a past event with a patronage fund. Management estimated the outcome of this lawsuit on the basis of currently available information and recorded adequate provisions in 2015 (CHF 150'000). No change occurred in 2018 and 2019.

Notes to the consolidated financial statements

18. Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

a) Income tax expense

	2019	2018
Current income taxes		
Current year income taxes	-6 804 944	-6 360 173
Adjustments in respect of prior years	123 115	229 571
	-6 681 829	-6 130 602
Deferred taxes		
Relating to origination and reversal of temporary differences	-1 707 320	-1 354 265
Relating to adjustment of tax rates on prior year deferred taxes	1 797 925	1 785 380
Relating to capitalization and use of taxes carried forward	-121 081	285 449
	-30 475	716 564
	-6 712 304	-5 414 038

b) Group's effective tax rate

In 2019, the expected tax rate is lower than 2018 but remains high. The situation of this high expected tax rate is due to negative results on the holding companies which have reduced tax rates. The reconciliation between the theoretical and effective rate is presented below:

	2019	2018
Expected tax rate at weighted average applicable tax rate	34.24%	47.36%
Unrecognised deferred tax assets	0.79%	2.08%
Changes in tax rates on deferred tax *	-8.73%	-12.86%
Prior years' taxes	-0.60%	-1.65%
Tax effect of non-tax deductible items	5.50%	6.99%
Other	1.37%	-2.92%
Effective tax rate	32.58%	39.00%

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

The effective tax rate based on the ordinary result in the year under review was 32.58% (previous year 39%).

c) Deferred tax

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

	31/12/2019	31/12/2018
Receivables from goods and services	-378 698	-198 296
Inventories	-3 857 237	-2 423 501
Prepayments and accrued income	-1 063	-14
Financial assets	-19 513	-26 963
Property, plant and equipment	-15 672 023	-11 194 525
Intangible assets	-1 210 130	-538 363
Long-term provisions	-1 627 363	-1 647 035
Loss carried forward	583 804	704 885
	-22 182 222	-15 323 812
Deferred tax assets	583 804	704 885
Deferred tax liabilities	-22 766 027	-16 028 697
	-22 182 222	-15 323 811
Tax (expense)/income from the change in deferred tax from temporary differences	-6 858 411	-310 615
Variation due to acquired subsidiaries (Note 27)	-6 933 200	-1 082 077
Change in exchange rate	105 265	54 897
Tax (expense)/income from the change in deferred tax from temporary differences	-30 475	716 564

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

Over the past three years, the share capital of Group Acrotec SA has developed as follows:

Share capital is fully composed of ordinary shares.

Balance sheet date	Registered shares	Share capital in CHF
31/12/2017	1'000 at CHF 100.00	100 000
31/12/2018	1'000 at CHF 100.00	100 000
31/12/2019	1'000 at CHF 100.00	100 000

Capital reserves

Capital reserves include non-distributable, statutory or legal reserves amounting to CHF 14'688'895 (2018: CHF 12'954'870).

The global reserves of the companies that currently benefit from the Confederation's COVID-19 loans amount to CHF 118'491'544 as at 31 december 2019 (see note 32).

20. Net sales from goods and services	2019	2018
Net sales from goods and services from third parties	222 449 773	178 964 477
Net sales from goods and services from group entities / parent entities	910 945	655 646
	223 360 719	179 620 123
Net sales by industry	2019	2018
Net sales Watches & Jewellery	145 622 211	123 855 010
Net sales Precision High Tech	72 924 052	61 020 081
Net sales MedTech	19 685 064	5 535 186
Corporate services & eliminations	-14 870 608	-10 790 154
	223 360 719	179 620 123
Net sales by country	2019	2018
Net sales in Switzerland	146 712 290	112 846 468
Net sales in foreign countries	76 648 428	66 773 656
	223 360 719	179 620 123
21. Material purchases	2019	2018
Material costs	-43 723 591	-37 806 764
Tools and supplies	-5 425 026	-3 713 512
Cost of external services	-17 165 363	-15 367 188
Energy	-1 337 209	-833 843
Others raw material expenses	-1 294 691	-1 120 098
	-68 945 880	-58 841 404
22. Personnel expenses	2019	2018
Wages and salaries	-66 509 356	-53 251 991
Social security costs	-12 294 758	-9 480 480
Others personnel expenses	-4 258 905	-3 384 841
	-83 063 019	-66 117 312
23. Other operating expenses	2019	2018
Maintenance, rents and energy	-11 466 016	-9 237 420
Leasing	-8 786	-8 233
Vehicle	-577 846	-535 597
Administration and IT	-4 743 129	-4 110 638
Insurance	-722 343	-544 160
Marketing and sales	-1 333 280	-1 260 308
Change in bad debt allowance	221 637	-66 297
	-18 629 763	-15 762 653
Other operating expenses related to third parties	-16 432 860	-14 006 153
Other operating expenses related to related parties	-2 196 903	-1 756 500
	-18 629 763	-15 762 653

Notes to the consolidated financial statements

24. Net financial result	2019	2018
Financial income	748 361	37 415
Financial income to shareholders	-	1 652
	748 361	39 067
Financial expense	-8 928 062	-7 968 141
Financial expense to shareholders	-284 981	-245 298
	-9 213 043	-8 213 438
	-8 464 682	-8 174 372

Financial income generated in 2019 relates to mainly remunerative interest on investments. Financial income generated in 2018 relates to mainly remunerative interest on investments and exchange rate gain.

Financial income to shareholders generated in 2018 relates to remunerative interest on current accounts.

Financial expense generated in 2019 and in 2018 relates mainly to interest on bonds of CHF 7'410'338 (2018: CHF 6'866'238).

Financial expense to shareholders generated in 2019 and in 2018 relates to interest on vendor loans.

25. Non-operating result	2019	2018
Non-operating income	874 534	262 746
Non-operating expense	-1 614 031	-2 027 138
Restructuring utilisation / expense (Note 17)	12 660	82 186
	-726 837	-1 682 206

Non-operating income generated in 2019 and in 2018 relates mainly to sales of gold and fixed assets, refund of non-operating tax and refund of an insurance.

Non-operating expense generated in 2019 and in 2018 relates to consulting fees (for mergers and acquisitions).

In addition, in 2019, CHF 823'341 of payroll expenses for two employees of a group company have been classified as non-operating. This distinction was made as part of the reorganization of part of management's work. In addition the payroll expenses, which are contractually due, were subject to a provision as at 31 december 2019.

26. Extraordinary result	2019	2018
Non-recurring income	511 541	488 524
Net change in estimate of inventory	-	34 027
	511 541	522 550
Non-recurrent expense	-552 205	-142 926
Non-recurrent expense related to related parties	-	-165 844
Net change in estimate of inventory	-1 298 231	-
	-1 850 436	-308 770
	-1 338 895	213 780

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

In 2019 non-recurring income is due to a prior year income adjustment of CHF 511'541 (CHF 488'524 in 2018).

In 2019, non-recurring expense is due to prior years expense adjustments and a change in inventory valuation of CHF 1'298'231 (CHF +34'027 in 2018). Some companies adapted their costing methodologies with the policy of Group Acrotec. The impact of the change in estimate was recorded as an extraordinary item.

Notes to the consolidated financial statements

27. Business combinations

a) In 2019, six companies, which are presented below, were acquired by the Group through four different acquisitions:

I. On 29 March 2019, the Group acquired 100% of the voting shares of ROCH MECANIQUE DE PRECISION SAS. This is an unlisted company based in Reignier-Esery. The company manufactures technical parts using a variety of raw materials such as aluminium, stainless steel, titanium and copper and serves mainly aeronautic and manufacturing industry.

II. On 30 September 2019, the Group acquired 100% of the voting shares of Tectri SA. This is an unlisted company based in Bévillard (Valbirse). The company is specialized in the machining of turned and milled parts in various metals (including titanium, aluminium, chrome cobalt). The company also offers a service that assembles all micro technical parts.

III. On 21 October 2019, the Group acquired 100% of the voting shares of DIENER AG PRECISION MACHINING. This is an unlisted company based in Embrach. The company is a contract manufacturer of precision parts and pumps. Its manufacturing operations include operations such as turning, milling, cleaning / packaging, as well as laser making and micro blasting. It has a strong focus on manufacturing medical technology parts and pumps.

IV. On 21 October 2019, the Group acquired 100% of the voting shares of RODI HOLDING AG which holds 100% of voting share of Diener Precision Pumps AG. They are unlisted companies based in Embrach. DPP AG holds 100% of voting share of Diener Precision Pumps Inc (USA, Lodi). Diener Precision Pumps AG and Diener Precision Pumps Inc develop and distributes the precision pumps, which are manufactured by DIENER AG PRECISION MACHINING.

The Group acquired 100% of the voting shares of ROCH MECANIQUE DE PRECISION SAS, Tectri SA, DIENER AG PRECISION MACHINING, RODI HOLDING AG, Diener Precision Pumps AG and Diener Precision Pumps Inc and therefore it took control of these subsidiaries. Concerning the consolidation details, ROCH MECANIQUE DE PRECISION SAS has been fully consolidated since 31 March 2019, Tectri SA has been fully consolidated since 30 September 2019, DIENER AG PRECISION MACHINING, RODI HOLDING, Diener Precision Pumps AG and Diener Precision Pumps Inc have been fully consolidated since 31 October 2019. The following consideration was paid to acquire these companies:

Cash paid to vendors	77 930 307	The Group paid CHF 77'930'307 in cash as part of the consideration in accordance with the share purchase agreements.
Vendor loan	13 384 400	The Group financed a part of its acquisitions through vendor loans.
Earnout	36 101 082	To be achieved by 2019, 2020 and 2021
Acquisition costs	1 109 209	Acquisition costs correspond to consulting and legal expenses disbursed during the due diligence process.
Total	128 524 998	

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	2019	2018
Purchase consideration paid (incl. acquisition-related costs)	128 524 998	30 288 528
	Acquired values	Acquired values
Current assets	49 116 698	6 448 338
Property, plant and equipment	46 909 050	9 495 284
Intangible assets	22 464 424	259 084
Financial assets	849 478	31 155
Current liabilities	-15 343 231	-3 751 722
Deferred tax liabilities	-6 933 200	-1 082 077
Long term liabilities	-11 986 942	-2 775 255
Net assets acquired	85 076 277	8 624 807
Goodwill	43 448 721	21 663 721
Cash and cash equivalents acquired	-21 322 322	-2 945 915
Vendor loans	-13 384 400	-3 316 320
Earnout	-36 101 082	-
Cash outflow on acquisition	57 717 194	24 026 293

Current assets: The total amount is composed of cash and cash equivalents (CHF 21'322'322), receivables from goods and services (CHF 13'131'351), other receivables (CHF 2'002'371), inventories (CHF 12'278'915) and prepaid expenses (CHF 381'738). 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 one building located in Embrach was revalued at acquisition in accordance with Group accounting policies. The plant has been revalued to its actual value based on an appraisal made by an independent real estate expert.

Intangible assets: The total amount is composed of software (CHF 352'876), capitalized development costs (CHF 2'901'118) and customer relationships (CHF 19'680'758).

Current liabilities: The total amount is composed of payables from goods and services (CHF 7'727'911), financial liabilities (CHF 1'554'861), other payables (CHF 1'116'024) and accrued liabilities and deferred income (CHF 4'944'435). 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, leasing 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.

Notes to the consolidated financial statements

28. Groupe Acrotec principal Companies - as at 31 december 2019

	Country	Capital	Groupe Acrotec SA Share-holdings		Consolidation
Suisse CHF			% voting	% rights	
Acrotec SA, Develier	Switzerland	4 043 417	100%	100%	Fully consolidated
AFT Micromécanique Suisse SA, Courgenay **	Switzerland	100 000	100%	100%	Fully consolidated
Butech SA, Tavannes	Switzerland	200 000	100%	100%	Fully consolidated
Décovi SA, Val Terbi	Switzerland	150 000	100%	100%	Fully consolidated
Finacrotec SA, Develier	Switzerland	5 203 457	100%	100%	Fully consolidated
FX & Associés Holding SA, Le Chaux-de-Fonds	Switzerland	100 000	100%	100%	Fully consolidated
DIENER AG PRECISION MACHINING, Embrach *	Switzerland	1 500 000	100%	100%	Fully consolidated
Diener Precision Pumps AG, Embrach *	Switzerland	150 000	100%	100%	Fully consolidated
Générale Ressorts SA, Bienne	Switzerland	2 425 000	100%	100%	Fully consolidated
Groupe Acrotec SA, Develier	Switzerland	100 000	100%	100%	Fully consolidated
H2i Sàrl, Savigny	Switzerland	20 000	100%	100%	Fully consolidated
J2X Holding SA, La Chaux-de-Fonds	Switzerland	100 000	100%	100%	Fully consolidated
K2A Sàrl, Le Chenit	Switzerland	20 000	100%	100%	Fully consolidated
Kif Parechoc SA, Le Chenit	Switzerland	720 000	95%	95%	Fully consolidated
Mimotec SA, Sion	Switzerland	364 000	100%	100%	Fully consolidated
mu-DEC SA, Develier	Switzerland	100 000	100%	100%	Fully consolidated
Petitpierre Holding SA, Cortaillod	Switzerland	100 000	100%	100%	Fully consolidated
Petitpierre SA, Cortaillod	Switzerland	140 000	100%	100%	Fully consolidated
Pierhor-Gasser SA, Ecublens ***	Switzerland	100 000	100%	100%	Fully consolidated
PRECIPRO SA, La Chaux-de-Fonds	Switzerland	411 000	100%	100%	Fully consolidated
RODI HOLDING SA, Embrach *	Switzerland	100 000	100%	100%	Fully consolidated
Sigatec SA, Sion	Switzerland	400 000	50%	50%	Proportionally consolidation
SMTS Holding SA, Le Chenit	Switzerland	120 000	100%	100%	Fully consolidated
STS Develier SA, Develier	Switzerland	200 000	100%	100%	Fully consolidated
STS La Chaux-de-Fonds SA, La Chaux-de-Fonds	Switzerland	100 000	100%	100%	Fully consolidated
STS Meyrin SA, Meyrin	Switzerland	100 000	100%	100%	Fully consolidated
STS Vallée de Joux SA, Le Chenit	Switzerland	100 000	100%	100%	Fully consolidated
Tectri SA, Valbirse *	Switzerland	100 000	100%	100%	Fully consolidated
Vardeco SA, Develier	Switzerland	300 000	100%	100%	Fully consolidated
Watchdec SA, Develier	Switzerland	100 000	100%	100%	Fully consolidated
Europe EUR					
A.F.T. MICROMECHANIQUE SAS, Fillinges	France	125 000	100%	100%	Fully consolidated
D.J.C DECOLLETAGE JEAN CORDIER SAS, Thyez	France	7 724 680	100%	100%	Fully consolidated
ROCH MECANIQUE DE PRECISION SAS, Reignier-Esery *	France	48 000	100%	100%	Fully consolidated
USA USD					
Diener Precision Pumps Inc, Lodi *	United States	1 000	100%	100%	Fully consolidated
Vardeco Inc, Westborough - Dormant company	United States	-	0%	0%	None

* Acquired companies in 2019

** Created company in 2019

*** In 2019, Pierhor SA merged with Gasser-Ravussin SA. Both companies were 100% owned by the Group as at 31 december 2018.

Notes to the consolidated financial statements

29. Retirement benefit obligations

Employer contribution reserves (ECR) in CHF:

2019	Nominal value 31/12/2019	Waiver of use 31/12/2019	Balance sheet 31/12/2019	Accumulation 2019*	Balance sheet 31/12/2018	Result from ECR in personnel expenses	
						2019	2018
Patronage funds/ patronage pension plans	380'809	-	380 809	74 687	306 122	-	-
Pension institutions	4'267'323	-	4 267 323	538 466	3 728 857	-	-
	4 648 132	-	4 648 132	613 153	4 034 979	-	-

2018	Nominal value 31/12/2018	Waiver of use 31/12/2018	Balance sheet 31/12/2018	Accumulation 2018	Balance sheet 31/12/2017	Result from ECR in personnel expenses	
						2018	2017
Patronage funds/ patronage pension plans	306'122	-	306 122	-178 177	484 299	-	-
Pension institutions	3'603'857	-	3 728 857	300 000	3 428 857	-	-
	4 034 979	-	4 034 979	121 823	3 913 156	-	-

* In 2018 a company of the group paid the capital due to an employee.

Economic benefit / economic obligation and pension benefit expenses

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

* 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.

** The pension funds of several group companies are 100% reinsured in terms of risk and investments; in 2019 the amount of relevant contributions is CHF 2'705'606 (2018: CHF 2'367'756).

2018	Surplus/ deficit	Group's economic share	Change from previous year		Contributions for the business period **	Pension costs within personnel expense
			no income statement impact	income statement impact		
Patronage funds / patronage pension plans	7 084 661	-	-	-	-	-
Pension plans without surplus / deficit	-	-	-	-	-1 753 623	-1 753 623
Pension plans with surplus*	-	-	-	-	-855 915	-855 915
	7 084 661	-	-	-	-2 609 537	-2 609 537

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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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	2019	910 945	-	45 660	200 749	-3 569
	2018	655 646	-	45 660	82 897	-3 367
Shareholders of the ultimate parent company	2019	-	-1 134 950	-1 346 934	488 800	-16 053 507
	2018	1 652	-1 324 283	-843 359	32 834	-8 275 789

Parent companies

In 2019, revenues from related parties were mainly generated from raw materials and goods sold to parent companies (similar to 2018).

Shareholders of the ultimate parent

Concerning the expenses in relation to the related parties, service fees were paid to shareholders of the ultimate parent for CHF 849'969 (2018: CHF 1'078'985). The aim of these fees is mainly to cover the management services provided to the Group.

In addition, financial expenses were charged to the Group for CHF 284'981 (2018: CHF 245'298) in relation to the borrowings made by the shareholders of the ultimate parent.

In 2019, rents for CHF 1'346'934 were collected by companies owned by shareholders of ultimate parent company (in 2018: CHF 843'359).

The amount owed by related parties corresponds to the current account with two shareholders of the ultimate parent for CHF 8'800 (2018: CHF 32'834). Moreover, as at 31 december 2019 there is a prepaid rent to a company owned by a shareholder's relative of the ultimate parent for CHF 480'000.

In 2019, the current financial liabilities of CHF 14'904'802 (2018: CHF 7'837'034) are owed to shareholders in the relation to vendor loans (bearing interest for CHF 731'287 in 2019 and for CHF 77'679 in 2018, recorded in accruals) underwritten during the acquisition of subsidiaries. Moreover, earnout of CHF 36'101'082 related to 2019 companies acquisitions are due to shareholder of ultimate parent (provisions).

Finally, CHF 417'418 are owed to shareholders as current account (2018: CHF 361'076).

Notes to the consolidated financial statements

31. Commitments and contingencies

a. Contingent assets and liabilities	31/12/2019	31/12/2018
Guarantee for credit line	33 000 000	33 000 000
	33 000 000	33 000 000

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

b. Pledged assets	31/12/2019	31/12/2018
Building	51 780 458	30 565 837
Machine under lease	29 358 901	21 164 078
Vehicle under lease	2 039 535	1 529 993
Equipment under lease	2 366 065	2 447 453
IT under lease	306 474	336 621
	85 851 434	53 571 590

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:

	31/12/2019	31/12/2018
Between 1 and 5 years	12 918 335	9 026 855
Overs 5 years	15 475 661	9 253 297
	28 393 996	18 280 152

d. Precious metal loan

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.

32. Subsequent events after the year-end closing

Following the Covid-19 health crisis, Groupe Acrotec recorded a temporary slowdown in sales as of mid-March 2020 and a significant portion of the operational entities had been either fully or partially shut down. As at the end of March 2020, on a pro forma basis, the decrease in activity is around 1.5% compared to prior year. The decrease is likely to progress further in April. This is a non-adjusting post balance sheet event ("non-adjusting event") which should not be taken into consideration in the accounting items of the financial statements as at 31 December 2019.

This crisis being a significant post balance sheet event, the Group has conducted an analysis of the economic situation in order to estimate the potential impact on its activities and its assets and liabilities.

This analysis will be updated as a function of the duration of the crisis and the impact on the Group's clients. At the current stage of the health crisis, it is particularly difficult and complex to provide reliable economic forecasts. The Group has therefore developed several scenarios. Based on the scenario which we consider the most pessimistic, the Group believes that its current production capacity and its going concern are not under question and it is not expecting a significant impact on its assets or liabilities. In addition, according to this analysis, the current cash level and the cash generated in the future appear sufficient to cover the Group's commitments in the medium term.

It should be noted that during the month of March 2020, 21 companies of the Group have lodged requests for partial unemployment, covering a loss of working time for between 70% and 100%. The vast majority of these requests have received a positive response by the unemployment offices.

In addition, the Group has applied for the Covid-19 loans which have been offered by the Swiss confederation. A total of CHF 7'046'498 has been received on the bank accounts of 19 Group companies as at the end of March 2020. A monitoring of the utilisation of these loans has since been put in place.