Financial Report

Consolidated Balance Sheet

in CHF 1 000	Notes	31.12.2022	in %	31.12.2021	in %
Assets					
Property, plant and equipment	(5)	53 142	14.5	49 553	15.4
Intangible assets	(6)	58 342	15.9	68 547	21.3
Other non-current assets		545	0.1	–	0.0
Deferred tax assets	(11)	3 284	0.9	3 158	1.0
Non-current assets		**115 313**	**31.4**	**121 258**	**37.7**
Inventories	(7)	117 364	32.0	80 109	24.9
Trade accounts receivable	(8)	50 606	13.8	44 080	13.7
Other accounts receivable	(8)	5 558	1.5	5 924	1.8
Prepaid expenses and accruals		2 403	0.7	1 721	0.5
Cash and cash equivalents	(9)	75 491	20.6	68 797	21.4
Current assets		**251 422**	**68.6**	**200 631**	**62.3**
Total assets		**366 735**	**100.0**	**321 889**	**100.0**
Liabilities and shareholders' equity					
Share capital		34 095	9.3	30 695	9.5
Mandatory convertible note		59 069	16.1	–	0.0
Capital reserves		113 162	30.9	109 024	33.9
Treasury shares		–2 422	–0.7	–6	–0.0
Cash flow hedging reserve		–58	–0.0	–	0.0
Retained earnings		–38 916	–10.6	–43 156	–13.4
Translation reserve		–16 039	–4.4	–7 670	–2.4
Total equity		**148 891**	**40.6**	**88 887**	**27.6**
Long-term provisions	(10)	4 006	1.1	3 596	1.1
Deferred tax liabilities	(11)	7 364	2.0	8 895	2.8
Long-term financial liabilities	(12)	101 950	27.8	114 502	35.6
Liabilities for post-employment benefits	(13)	1 695	0.5	1 906	0.6
Non-current liabilities		**115 015**	**31.4**	**128 899**	**40.1**
Short-term financial liabilities	(12)	18 063	4.9	15 354	4.8
Trade accounts payable		39 539	10.8	39 691	12.3
Other current liabilities	(14)	26 436	7.2	23 130	7.2
Accruals	(14)	14 903	4.1	13 355	4.1
Short-term provisions	(10)	2 013	0.5	12 067	3.7
Income tax payable		1 875	0.5	506	0.2
Current liabilities		**102 829**	**28.0**	**104 103**	**32.3**
Total liabilities		**217 844**	**59.4**	**233 002**	**72.4**
Total equity and liabilities		**366 735**	**100.0**	**321 889**	**100.0**

Consolidated Income Statement

in CHF 1 000	Notes	2022	in %	2021	in %
Net Sales	**(4)**	**313 193**	**100.0**	**239 044**	**100.0**
Change in inventory of finished and unfinished goods		2 854	0.9	2 517	1.1
Material costs		–169 931	–54.3	–126 323	–52.8
Personnel costs	(20)	–84 298	–26.9	–69 905	–29.2
Other operating income		574	0.2	1 069	0.4
Other operating expenses	(21)	–30 118	–9.6	–23 280	–9.7
EBITDA		**32 274**	**10.3**	**23 122**	**9.7**
Depreciation and impairment	(5)	–10 364	–3.3	–9 913	–4.1
Amortization and impairment	(6)	–9 676	–3.1	–1 005	–0.3
Operating profit (EBIT)		**12 234**	**3.9**	**12 204**	**5.1**
Financial income	(22)	7 865	2.5	4 287	1.8
Financial expenses	(22)	–12 406	–4.0	–6 281	–2.6
Profit before tax (EBT)		**7 693**	**2.5**	**10 210**	**4.3**
Income tax	(11)	–3 873	–1.2	–2 728	–1.1
Net profit		**3 820**	**1.2**	**7 482**	**3.1**
Earnings per share (in CHF)					
- basic	(19)	1.03		2.57	
- diluted	(19)	1.03		2.57	

Consolidated Cash Flow Statement

in CHF 1 000	Notes	2022	2021
Net profit		3 820	7 482
Depreciation	(5)	10 365	9 729
Impairment	(5)	–	184
Amortization	(6)	9 676	1 005
Interest income	(22)	–84	–4
Interest expenses	(22)	3 088	1 042
Tax expenses	(11)	3 873	2 728
Change in provisions		–770	1 228
Change in other non-current assets		–560	-
Other non-cash-items		–448	–35
Subtotal before working capital changes		**28 960**	**23 359**
Change in inventories		–31 652	–20 896
Change in trade accounts receivable		–5 876	–7 044
Change in other current assets		1 233	–1 445
Change in trade accounts payable		116	6 281
Change in other current liabilities		3 138	12 780
Change in working capital		**–33 041**	**–10 324**
Income tax paid		–2 879	–3 055
Interest paid		–3 114	–750
Interest received		17	4
Net cash (used in) / from operating activities		**–10 057**	**9 234**
Purchase of property, plant and equipment		–11 206	–7 790
Proceeds from sale of property, plant and equipment		32	1
Purchase of intangible assets	(6)	–225	–262
Acquisition of subsidiaries, net of cash acquired		–19 645	–45 006
Net cash used in investing activities		**–31 044**	**–53 057**
Purchase of treasury shares	(18)	–45	-
Issuance of mandatory convertible note		59 069	-
Payment to shareholders from capital contribution reserves	(17)	–	–2 902
Repayment of finance lease liabilities		–600	–38
Proceeds from borrowings short-term		2 402	502
Proceeds from borrowings long term		13 286	76 534
Repayment of borrowings short-term		–25 165	–3 304
Net cash from financing activities		**48 947**	**70 792**
Currency translation effects		–1 152	–1 307
Net increase in cash and cash equivalents		**6 694**	**25 662**
Cash and cash equivalents at the beginning of the period	**(9)**	**68 797**	**43 135**
Cash and cash equivalents at the end of the period	**(9)**	**75 491**	**68 797**

Consolidated Statement of Changes in Equity

in CHF 1 000	Share capital	Mandatory convertible note	Capital reserves	Treasury shares	CF hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2021	**29 022**	**–**	**103 894**	**–6**	**–**	**–50 864**	**–5 712**	**76 334**
Net profit	–	–	–	–	–	7 482	–	7 482
Share-based payments	–	–	–	–	–	226	–	226
Dividend / capital contribution paid to shareholders	–	–	–2 902	–	–	–	–	–2 902
Capital increase	1 673	–	8 032	–	–	–	–	9 705
Translation adjustment	–	–	–	–	–	–	–1 958	–1 958
Balance at 31 December 2021	**30 695**	**–**	**109 024**	**–6**	**–**	**–43 156**	**–7 670**	**88 887**

in CHF 1 000	Share capital	Mandatory convertible note	Capital reserves	Treasury shares	CF hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2022	**30 695**	**–**	**109 024**	**–6**	**–**	**–43 156**	**–7 670**	**88 887**
Net profit	–	–	–	–	–	3 820	–	3 820
Share-based payments	–		–3	47	–	420	–	464
Change in Cash Flow Hedging	–	–	–	–	–58	–	–	–58
Purchase of treasury shares[1]	–	–	–	–45	–	–	–	–45
Capital increase, creation of reserve shares[2]	3 400	–	–	–3 400	–	–	–	-
Issuance of treasury shares for acquisitions[1]	–	–	4 141	982	–	–	–	5 123
Issuance of mandatory convertible note[2]	–	60 188	–	–	–	–	–	60 188
Transaction costs on issuance of mandatory convertible note	–	–1 119	–	–	–	–	–	–1 119
Translation adjustment	–	–	–	–	–	–	–8 369	–8 369
Balance at 31 December 2022	**34 095**	**59 069**	**113 162**	**–2 422**	**–58**	**–38 916**	**–16 039**	**148 891**

1) Refer to note 18 Treasury shares.
2) Refer to note 17 Issued capital.

Notes 1–25

1 Corporate Information

Cicor Technologies Ltd., Boudry, is a public company, the shares of which are traded on the Swiss Stock Exchange (SIX). Cicor Group offers a seamless production and service chain for electronic components and systems – from development and engineering to large-scale manufacturing, after-sales service and product life-cycle management. Mainly active in Europe, the USA and Asia, Cicor's main competences are:

- manufacture of PCBs and HDIs: rigid, rigid-flexible and flexible
- hybrid manufacturing (thin-/thick-film, RF boards)
- quick-turn prototypes, small, medium and large series
- microelectronics assembly (SMD, wire bonding, flip chip, etc.)
- printed electronics
- outsourcing services for the manufacture of electronic modules, component groups and complete electronic products (EMS: Electronic Engineering and Manufacturing Services)

2 Basis of the Consolidated Financial Statements

2.1 Basis of Preparation

Statement of compliance

The consolidated financial statements of Cicor Group are based on uniform accounting and valuation principles applicable to all subsidiaries of the Group. The consolidated financial statements have been prepared in accordance with Swiss GAAP FER (GAAP = Generally Accepted Accounting Principles / FER = Fachempfehlungen zur Rechnungslegung) and the requirements of the Swiss Code of Obligations.

The consolidated financial statements of Cicor Group for the year ended 31 December 2022 were authorized for issue on 1 March 2023 and are subject to approval at the Annual General Meeting of Shareholders on 18 April 2023.

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention except for derivative financial instruments which are measured at fair value.

Presentation currency

The consolidated financial statements are presented in Swiss francs (CHF).

2.2 Significant accounting principles

Basis of consolidation

The consolidated financial statements comprise the financial statements of Cicor Technologies Ltd. and all subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50 % of the voting rights or by otherwise having the power to govern their operating and financial policies. These subsidiaries are fully consolidated. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of all subsidiaries is disclosed in note 3. Cicor does not hold any subsidiaries, investments, assets or liabilities which are not fully consolidated within the financial statements of the Cicor Group.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. Non-controlling interests in equity and profit are shown separately. Changes in the Group's interest that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group. Intercompany balances, transactions and profits are eliminated on consolidation.

Purchase method

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration paid plus directly attributable transaction costs for each acquisition are eliminated at the date of acquisition against the fair value of the net assets acquired, determined based on uniform accounting policies. Any excess of the consideration transferred over the net assets acquired is recognized as goodwill. Goodwill is amortized over five years.

Foreign currency conversion

Transactions in foreign currencies are converted at the rate of exchange as of the transaction date. Gains and losses from foreign currency transactions and from converting year-end foreign currency balances are recognized in the income statement. Foreign exchange differences on long-term loans to foreign operations with equity characteristics, where a repayment is neither likely nor planned, are recognized in equity. The financial statements of subsidiaries that report in foreign currencies are translated into Swiss francs as follows:

- balance sheet items: at year-end exchange rates,
- income statement and cash flow statement items: at average exchange rates for the year,
- equity is translated at historical rates.

The translation differences resulting from the conversion of financial statements denominated in foreign currencies are directly charged to equity. At the date of sale of a foreign subsidiary, the respective cumulative foreign currency translation differences are recognized in profit or loss.

Foreign exchange rates		2022	2021
Closing	EUR	0.9872	1.0365
	USD	0.9235	0.9152
	GBP	1.1137	1.2347
	RON	0.1993	0.2094
	SGD	0.6883	0.6768
	CNY	0.1334	0.1436
Average	EUR	1.0030	1.0814
	USD	0.9546	0.9140
	GBP	1.1800	1.2573
	RON	0.2039	0.2198
	SGD	0.6924	0.6803
	CNY	0.1421	0.1417

Segment information

Cicor defines its reportable segments based on the internal reporting to its Board of Directors. They base their strategic and operational decisions on these monthly distributed reports, which include the aggregated financial data for the Group and for the Divisions. The two Divisions, EMS and AS, have been identified as the two reportable segments. The segment result used to steer the business is EBITDA.

Property, plant and equipment

Items of property, plant and equipment are individually measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land	no depreciation
Buildings	25–50 years
Leasehold Improvements	max 10 years
Machinery	3–10 years
Furniture	5–15 years
Equipment	3–10 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalized if the market value or the value in use or the useful live of the respective item of property, plant and equipment has increased substantially.

Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the net of the identifiable assets acquired and the liabilities assumed measured at acquisition date fair value. Subsequently, goodwill is measured at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized over five years. Additionally, a yearly impairment test is conducted.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is computed on a straight-line basis over the estimated useful life of the asset (between one and five years, in justified cases twenty years at the most).

Impairment of assets

Property, plant and equipment as well as intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset or a group of assets is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows from continuing use of an asset or a group of assets that are largely independent of cash flows of other assets are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The relevant cash flows are based on the most recent business plans of these cash-generating units (period of three years) and the assumptions therein concerning development of prices, markets and market shares. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Assets for which an impairment loss was recognized are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited to the amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized. Such reversal is recognized in profit or loss. Impairment losses on goodwill are not reversed.

Leasing agreements

Fixed assets acquired under leasing contracts where both the risks and rewards of ownership are substantially transferred to Cicor, are classified as finance leases. Such assets are recorded at the lower of the estimated net present value of future lease payments and the estimated fair value of the asset at the inception of the lease. Assets under finance leases are fully amortized over the shorter of the lease term and its useful life. The corresponding lease obligations, excluding finance charges, are included in either short- or long-term financial liabilities. Lease installments are divided into an interest and a redemption component.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of purchase or manufacturing costs and fair value less cost to sell. Costs for raw material are measured according to the weighted average cost method. Cost of work in progress and finished goods include materials, related manufacturing labor and related overheads. Concerning work in progress, estimated losses correspond to the negative difference between the net selling price and the estimated costs until finalization of work in progress.

Trade accounts receivable

Trade accounts receivable are measured at nominal value less necessary allowances for bad debts. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade accounts receivables. The main components of this allowance are a specific loss component that relates to individually significant exposure and a collective loss component established for groups of assets with similar risk characteristics in respect of losses that have been incurred, but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at amortized costs and include cash on hand, postal and bank accounts at sight and time deposits with maturities at the balance sheet date of 90 days or less.

Bank borrowings, trade and other liabilities

Non-derivative financial liabilities are initially recognized at fair value less any attributable transaction costs and are subsequently measured at amortized cost.

Provisions

Provisions are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that resources are needed to extinguish the obligation;
- the amount of the obligation can be estimated in a reliable way.

A provision is recognized for expected warranty claims on products based on past experience of the level of repairs and returns.

Government grants

Government grants are recognized as income over the periods matching the related costs, which they are intended to compensate on a systematic basis. Government grants are only recognized when there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income taxes are accrued based on taxable income of the current year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date. Deferred income tax assets and liabilities are recognized for all temporary differences between the tax and accounting bases of assets and liabilities at the reporting date using the liability method.

Deferred income taxes are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets arising from tax loss carryforwards and deductible temporary differences are capitalized only if it is probable that they can be used to be offset against future taxable profits.

Derivative financial instruments

All outstanding derivatives are recognized at market value as at the balance sheet date and shown at gross values under other accounts receivables or other current liabilities. Value changes on derivatives for hedges of recognized underlying transactions are shown like the underlying transaction. Value changes on derivatives for hedges of future cash flows will be shown directly in equity until completion of the underlying transaction. At the time of recognition of the underlying transaction, the gain or loss recorded in equity will be transferred to the income statement.

Pension plans

Cicor maintains several pension plans for employees in Switzerland, Germany and the United Kingdom. A liability is recognized if a pension plan has an underfunding and there is an economic obligation for Cicor to pay additional contribution. The assessment of whether there is an obligation is made using the recognition criteria for provisions. For Swiss plans, the measurement of the liability is based on the financial statements of the pension plan prepared in accordance with FER 26 and for German plans, this is based on an actuarial calculation. Employer contribution reserves are always recognized as an asset.

Changes in the economic obligation, the employer contribution reserves and the contributions incurred for the period are recognized in personnel costs in the income statement.

Earnings per share

Basic earnings per share are calculated by dividing net profit excluding non-controlling interests by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share include all potentially dilutive effects.

Treasury shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized net of any tax effects as a deduction from capital reserves. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the resulting gain or loss on the transaction is recognized in capital reserves.

Mandatory convertible note

The Group's interest-free mandatory convertible note is classified as equity, because it does not contain any obligation to deliver cash or other financial assets and does not require settlement in a variable number of the Group's equity instruments. Incremental costs directly attributable to the issue of the mandatory convertible note are recognized as a deduction from equity.

Share-based payments

Share-based payments to members of the Board of Directors and to employees are measured at fair value at the grant date, and recognized in the income statement over the vesting period with a corresponding increase in equity. The fair value at the grant date is assessed considering the market conditions, with no subsequent true-up. The amount recognized as an expense is adjusted considering the satisfaction or failure of meeting the service conditions and non-market performance conditions.

Revenue recognition

Revenue from the sale of products comprises all revenues that are derived from sales of products to third parties after deduction of price rebates and value-added tax. Revenues from the sale of products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the products.

Revenues from engineering and consulting services are recognized in the accounting period in which the services are rendered. Bad debt losses are included in net sales.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when a future benefit is expected, costs can be measured reliably, the asset is controlled by the organization and the resources needed to complete the asset are/will be made available. Additionally, the Group has to demonstrate the technical feasibility, the availability of resources and its intention of completing the project so that it will be available for use or sale.

Capitalized development cost is measured at cost less accumulated amortization and accumulated impairment losses.

Definition of non-GAAP measures

EBIT as a subtotal includes all income and expenses before addition/deduction of financial income, financial expenses and income taxes. EBITDA as a subtotal includes EBIT before deduction of depreciation and impairment of tangible assets as well as amortization and impairment of intangible assets.

3 Scope of Consolidation

in local currency 1 000	Currency	2022 Nominal share capital	2022 Participation in %	2021 Nominal share capital	2021 Participation in %
Cicor Technologies Ltd, Boudry/Switzerland Holding/Finance	CHF	34 095	100	30 695	100
Cicorel SA, Boudry/Switzerland* Engineering/Production/Sales/Distribution	CHF	8 000	100	8 000	100
Reinhardt Microtech AG, Wangs/Switzerland* Engineering/Production/Sales/Distribution	CHF	1 800	100	1 800	100
Reinhardt Microtech GmbH, Ulm/Germany Engineering/Production/Sales/Distribution	EUR	500	100	500	100
RHe Microsystems GmbH, Radeberg/Germany* Engineering/Production/Sales/Distribution	EUR	216	100	216	100
Cicor Deutschland GmbH, Dresden, Germany*[1] Engineering/Production/Sales/Distribution	EUR	5 000	100	n/a	n/a
Electronicparc Holding AG, Bronschhofen/Switzerland* Holding/Finance	CHF	23 271	100	23 271	100
Swisstronics Contract Manufacturing AG, Bronschhofen (Wil)/Switzerland Engineering/Production/Sales/Distribution	CHF	3 000	100	3 000	100
Systronics SRL, Arad/Romania Production/Sales	RON	5 145	100	5 145	100
Axis EMS Heights Ltd., Milton Keynes/UK* Holding/Finance	GBP	141	100	141	100
Axis EMS Group Ltd., Milton Keynes/UK Holding/Finance	GBP	264	100	264	100
Axis EMS Holdings Ltd., Milton Keynes/UK Holding/Finance	GBP	885	100	885	100
Axis Electronics Ltd., Milton Keynes/UK Engineering/Production/Sales/Distribution	GBP	10	100	10	100
ESG Holding Pte Ltd., Singapore* Holding/Finance	SGD	1 896	100	1 896	100
Cicor Asia Pte Ltd., Singapore Sales/Distribution	SGD	2 000	100	2 000	100
PT Cicor Panatec, Batam/Indonesia Production	USD	300	100	300	100
Brant Rock Enterprises Corp., British Virgin Islands Holding/Finance	USD	10	100	10	100
Cicor Anam Ltd., Anam/Vietnam Production	USD	1 500	100	1 500	100
Suzhou Cicor Technology Co. Ltd., China Production	CNY	42 033	100	42 033	100
Cicor Americas Inc., USA* Sales/Distribution	USD	10	100	10	100
Cicor Management AG, Bronschhofen/Switzerland* Management Services	CHF	250	100	250	100

* Directly held subsidiaries of Cicor Technologies Ltd.
1) The company was renamed from SMT Elektronik GmbH.

Change in Scope of Consolidation in 2022

As of 27 April 2022, Cicor Technologies Ltd. acquired 100% of the shares of SMT Elektronik GmbH, Dresden (Germany) . The acquired company provides electronic manufacturing services, predominantly for clients in the medical and industrial industry, and is included in the EMS Division.

The fair value of the acquired assets and liabilities as per the acquisitions date are shown in the below table.

in CHF 1 000	2022
Property, plant and equipment	4 173
Intangible assets	467
Inventories	8 501
Trade accounts receivable	2 543
Other accounts receivable, prepaid expenses and accruals	383
Cash and cash equivalents	64
Long-term provisions	–
Deferred Tax liabilities	–90
Long-term financial liabilities	–669
Short-term financial liabilities	–588
Short-term provisions	–76
Trade payables	–967
Other current liabilities and accruals	–1 200
Income tax payable	–775
Total fair value of net assets acquired	**11 767**

The acquisition resulted in a Goodwill of TCHF 2 277, which was capitalized as part of the intangible assets and is amortized over five years.

Cicor paid an earn-out amount in 2022 to settle the remaining purchase price from the acquisition of the Axis Group. Part of the remaining purchase price was settled in shares of Cicor Technologies Ltd. and part of it was settled in cash. The finalization of the purchase price allocation resulted in an increase in Goodwill of TCHF 2 898, which stems mainly from the reassessment of the earn-out amount.

Change in scope of consolidation in 2021

As of 30 November 2021, Cicor Technologies Ltd. acquired 100% of the shares of Axis EMS Heights Ltd. with its directly/indirectly held subsidiaries Axis EMS Group Ltd., Axis EMS Holdings Ltd. and Axis Electronics Ltd., all in Milton Keynes, United Kingdom. The most important balance sheet positions as per acquisition date are shown in the table below.

in CHF 1 000	2021
Cash paid	54 071
Direct costs related to acquisition	2 179
Purchase considerations cash	**56 250**
Capital increase	9 705
Earn-out	8 858
Issuance stamp tax and securities transfer tax	326
Purchase considerations non-cash	**18 889**
Total purchase considerations	**75 139**
less: Fair value of net assets acquired	–49 906
Goodwill	**25 233**

Cash and cash equivalents	11 244
Trade accounts receivable	7 079
Inventories	10 563
Property, plant and equipment	3 093
Intangible assets	43 617
Trade payables	–11 605
Other current liabilities	–4 535
Short-term financial liabilities	–354
Long-term financial liabilities	–456
Short-term provision	–56
Deferred Tax liabilities	–8 684
Total fair value of net assets acquired	**49 906**

Purchase considerations cash	56 250
less: cash and cash equivalent acquired	–11 244
Cash outflow on acquisition during the year	**45 006**

The acquisition resulted in a Goodwill of TCHF 25 233, which was capitalized as part of the intangible assets and is amortized over five years.

4 Segment Reporting

in CHF 1 000	EMS Division	AS Division	Total reportable segments	Corporate and eliminations	Group
Income statement	**2022**	**2022**	**2022**	**2022**	**2022**
Sales to external customers	269 466	43 727	313 193	–	313 193
Intersegment sales	171	1 052	1 223	–1 223	-
EBITDA	28 950	6 459	35 409	–3 135	32 274
Balance sheet	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Intangible assets	58 342	–	58 342	–	58 342
Other than intangible assets	228 885	37 748	266 633	41 760	308 393
Total assets	287 227	37 748	324 975	41 760	366 735
Total liabilities	155 763	21 106	176 869	40 975	217 844
Other segment information	**2022**	**2022**	**2022**	**2022**	**2022**
Depreciation, amortization and impairment	17 070	2 970	20 040	–	20 040
Capital expenditures for property, plant and equipment	8 434	2 753	11 187	–	11 187

in CHF 1 000	EMS Division	AS Division	Total reportable segments	Corporate and eliminations	Group
Income statement (restated)	**2021**	**2021**	**2021**	**2021**	**2021**
Sales to external customers	194 244	44 800	239 044	–	239 044
Intersegment sales	274	459	733	–733	-
EBITDA	17 987	8 054	26 041	–2 919	23 122
Balance sheet (restated)	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**
Intangible assets	68 547	-	68 547	–	68 547
Other than intangible assets	187 166	39 218	226 384	26 958	253 342
Total assets	255 713	39 218	294 931	26 958	321 889
Total liabilities	126 654	20 518	147 172	85 830	233 002
Other segment information (restated)	**2021**	**2021**	**2021**	**2021**	**2021**
Depreciation, amortization and impairment	7 682	3 229	10 911	7	10 918
Capital expenditures for property, plant and equipment	6 570	2 053	8 623	–	8 623

Cicor defines its reportable segments based on the internal reporting to its Board of Directors. They base their strategic and operational decisions on these monthly distributed reports, which include the aggregated financial data for the Group and for the divisions. The two divisions, EMS and AS, have been identified as the two reportable segments.

As the German EMS manufacturer RHe Micorsystem's business with thick-film manufactured circuits has been significantly reduced, the company is today predominantly an EMS manufacturer. Cicor has therefore changed the divisional structure as of 1 January 2022: instead of the previous divisions Advanced Microelectronics and Substrates (AMS) and Electronic Solutions (ES), Cicor now reports the divisions Advanced Substrates (AS) and Electronic Manufacturing Services (EMS). The company RHe Microsystem was moved from the AS division into the EMS division as of 1 January 2022. The prior-year financial information in the segment reporting has been restated.

The Electronic Manufacturing Services (EMS) division provides full-cycle electronic solutions from research and development to manufacturing and supply chain management for customers in the medical, industrial and aerospace and defence sectors, while the Advanced Substrates (AS) division provides its customers with high-quality printed circuit boards as well as thin-film substrates.

For internal reporting and therefore the segment reporting, the applied principles of accounting and valuation are the same as in the consolidated financial statements. Intersegment sales are recognized at arm's length.

Sales by region and by industry

in CHF 1 000	2022	%	2021	%
Switzerland	77 664	24.8	65 798	27.5
Europe (without Switzerland)	171 903	54.9	113 705	47.6
Asia	43 622	13.9	44 558	18.6
Americas	15 922	5.1	13 189	5.5
Other	4 082	1.3	1 794	0.8
Total	**313 193**	**100.0**	**239 044**	**100.0**
Industrial	126 391	40.4	103 772	43.4
Medical	78 381	25.0	64 603	27.0
Aerospace & defence	52 266	16.7	22 605	9.5
High-tech consumer	27 668	8.8	25 525	10.7
Transport	23 032	7.4	18 752	7.8
Communication	2 355	0.7	2 873	1.2
Other	3 100	1.0	914	0.4
Total	**313 193**	**100.0**	**239 044**	**100.0**

Major Customers

Cicor Group's biggest customer contributes less than 8 % (2021: less than 8 %) to the Group's consolidated sales. In 2022, about 36 % (2021: about 42 %) of total Group net sales can be attributed to the Group's top ten clients.

5 Property, Plant and Equipment

2022 in CHF 1 000	Land and buildings [1]	Machinery	Furniture and equipment	Other equipment	Assets under construction	Total
Acquisition costs						
Balance at 1 January 2022	38 258	94 272	10 211	1 645	1 755	146 141
Additions [2]	568	4 342	829	404	5 044	11 187
Disposals	–1 027	–3 928	–366	–97	–	–5 418
Reclassifications	422	1 206	119	–	–1 747	–
Business combinations	2 617	610	946	–	–	4 173
Translation adjustment	–725	–1 324	–247	–20	–158	–2 474
Balance at 31 December 2022	**40 113**	**95 178**	**11 492**	**1 932**	**4 894**	**153 609**
Accumulated depreciation and impairment						
Balance at 1 January 2022	–21 308	–66 995	–7 336	–949	–	–96 588
Depreciation	–1 808	–7 066	–1 351	–140	–	–10 365
Disposals	1 028	3 911	361	86	–	5 386
Translation adjustment	40	934	101	25	–	1 100
Balance at 31 December 2022	**–22 048**	**–69 216**	**–8 225**	**–978**	**–**	**–100 467**
Net book value						
1 January 2022	**16 950**	**27 277**	**2 875**	**696**	**1 755**	**49 553**
31 December 2022	**18 065**	**25 962**	**3 267**	**954**	**4 894**	**53 142**
Thereof net book value of assets under financial lease	–	1 030	113	17	–	1 160
Net book value of pledged assets	2 419	2 631	113	–	–	5 163
Addition of assets under financial lease	–	–	–	–	–	–

1) Including leasehold improvements.
2) Of the additions in fixed assets, CHF 1.1 million have not yet been paid as at 31 December 2022.

In 2022, Cicor invested CHF 4.3 million in machinery. The most significant investments were made in Wangs, Batam, Boudry and Singapore. The investments in land and buildings were mainly made in Asia. Assets under construction are equipment whose installation has not yet been completed, which includes a new production plant in ThuanAn City in the amount of CHF 3.3 million.

2021 in CHF 1 000	Land and buildings [1]	Machinery	Furniture and equipment	Other equipment	Assets under construction	Total
Acquisition costs						
Balance at 1 January 2021	38 842	96 531	9 254	1 330	394	146 351
Additions [2]	110	5 937	699	275	1 602	8 623
Disposals	–20	–9 598	–459	–11	–	–10 088
Reclassifications	13	95	19	–	–211	–84
Business combinations	10	2 175	831	77	–	3 093
Translation adjustment	–697	–868	–133	–26	–30	–1 754
Balance at 31 December 2021	**38 258**	**94 272**	**10 211**	**1 645**	**1 755**	**146 141**
Accumulated depreciation and impairment						
Balance at 1 January 2021	–19 306	–70 461	–6 939	–868	–	–97 574
Depreciation	–2 022	–6 655	–940	–112	–	–9 729
Impairment	–34	–145	–4	–1	–	–184
Disposals	20	9 597	459	11	–	10 087
Reclassification	–	–	–	–	–	–
Translation adjustment	34	669	88	21	–	812
Balance at 31 December 2021	**–21 308**	**–66 995**	**–7 336**	**–949**	**–**	**–96 588**
Net book value						
1 January 2021	**19 536**	**26 070**	**2 315**	**462**	**394**	**48 777**
31 December 2021	**16 950**	**27 277**	**2 875**	**696**	**1 755**	**49 553**
Thereof net book value of assets under financial lease	–	1 400	–	38	–	1 438
Net book value of pledged assets	–	1 400	–	38	–	1 438
Addition of assets under financial lease	–	1 400	–	38	–	1 438

1) Including leasehold improvements.
2) Of the additions in fixed assets, CHF 1.2 million have not yet been paid as at 31 December 2021.

In 2021, Cicor invested CHF 5.9 million in machinery. The most significant investments were undertaken in Bronschhofen, Arad, Thuan An City and Radeberg. The biggest investment thereof was a placement line in Bronschhofen. The assets under construction are equipment whose installation has not yet been completed.

6 Intangible Assets

2022 in CHF 1 000	Goodwill	Brand	Technology	Customer relationships	Other	Total
Acquisition costs						
Balance at 1 January 2022	120 930	10 889	7 377	37 940	7 742	184 878
Additions	–	–	–	–	225	225
Disposal	–	–	–	–	–26	–26
Business combinations	5 175	–	–	–	467	5 642
Translation adjustment	–2 692	–409	–42	–3 406	–488	–7 037
Balance at 31 December 2022	**123 413**	**10 480**	**7 335**	**34 534**	**7 920**	**183 682**
Accumulated amortization						
Balance at 1 January 2022	–96 564	–6 734	–7 377	–3 370	–2 286	–116 331
Amortization	–5 359	–266	–	–2 216	–1 835	–9 676
Disposal	–	–	–	–	26	26
Translation adjustment	326	17	42	144	112	641
Balance at 31 December 2022	**–101 597**	**–6 983**	**–7 335**	**–5 442**	**–3 983**	**–125 340**
Net book value						
1 January 2022	**24 366**	**4 155**	**–**	**34 570**	**5 456**	**68 547**
31 December 2022	**21 816**	**3 497**	**–**	**29 092**	**3 937**	**58 342**

2021 in CHF 1 000	Goodwill	Brand	Technology	Customer relationships	Other	Total
Acquisition costs						
Balance at 1 January 2021	96 136	6 711	7 419	3 176	2 871	116 313
Additions	–	–	–	–	262	262
Disposal	–	–	–	–	–13	–13
Reclassification	–	–	–	–	84	84
Business combinations	25 233	4 190	–	34 858	4 569	68 850
Translation adjustment	–439	–12	–42	–94	–31	–618
Balance at 31 December 2021	**120 930**	**10 889**	**7 377**	**37 940**	**7 742**	**184 878**
Accumulated amortization						
Balance at 1 January 2021	–96 136	–6 711	–7 419	–3 176	–1 951	–115 393
Amortization	–420	–24	–	–197	–364	–1 005
Disposal	–	–	–	–	13	13
Translation adjustment	–8	1	42	3	16	54
Balance at 31 December 2021	**–96 564**	**–6 734**	**–7 377**	**–3 370**	**–2 286**	**–116 331**
Net book value						
1 January 2021	**–**	**–**	**–**	**–**	**920**	**920**
31 December 2021	**24 366**	**4 155**	**–**	**34 570**	**5 456**	**68 547**

7 Inventories

in CHF 1 000	31.12.2022	31.12.2021
Raw materials	98 922	65 252
Work-in-progress	23 735	19 853
Finished goods	13 205	11 377
Valuation allowance	–18 498	–16 373
Total inventories	**117 364**	**80 109**

8 Trade Accounts Receivable and other Accounts Receivable

in CHF 1 000	31.12.2022	31.12.2021
Trade accounts receivable (gross)	51 131	44 616
Allowance for bad debts	–525	–536
Total trade accounts receivable	**50 606**	**44 080**

Ageing of Trade Accounts Receivable

in CHF 1 000	31.12.2022 Gross	31.12.2022 Allowance	31.12.2021 Gross	31.12.2021 Allowance
Not yet due	36 092	–	38 525	-
Overdue 0–45 days	11 904	–	5 085	-
Overdue 46–90 days	2 316	–2	285	-
Overdue 91–180 days	259	–4	79	-
Overdue 181–360 days	190	–149	127	–21
Overdue more than 360 days	370	–370	515	–515
Total trade accounts receivable	**51 131**	**–525**	**44 616**	**–536**

Movement in the Allowance for Impairment for Trade Accounts Receivable

in CHF 1 000	2022	2021
Individual allowance as of 1 January	**411**	**458**
Allowance increase	168	51
Utilization/consumption	–164	–30
Reversal of allowance	–	–68
Individual allowance as of 31 December	**406**	**411**
Collective allowance as of 1 January	125	48
Change in allowance	–6	77
Collective allowance as of 31 December	**119**	**125**

Other Accounts Receivable

in CHF 1 000	31.12.2022	31.12.2021
Receivables on bullion dealers' accounts	242	406
Value-added taxes	1 432	1 118
Other	3 884	4 400
Total other accounts receivable	**5 558**	**5 924**

9 Cash and Cash Equivalents

in CHF 1 000	31.12.2022	31.12.2021
Bank accounts	75 486	67 547
Cash equivalents	5	1 250
Total cash and cash equivalents	**75 491**	**68 797**

Cicor Technologies' banking partners are first-rate Swiss, German, English and Romanian banks.

10 Provisions

2022 in CHF 1 000	Warranties	Other	Total provisions	Deferred taxes	Total provisions and deferred taxes
Balance at 1 January 2022	**3 333**	**12 330**	**15 663**	**8 895**	**24 558**
Additional provisions	957	1 853	2 810	–	2 810
Unused amounts reversed	–539	–2 335	–2 874	–	–2 874
Amount used	–183	–9 110	–9 293	–719	–10 012
Reclassification within the company	–	–269	–269	–	–269
Business combinations	72	4	76	87	163
Translation adjustments	–53	–41	–94	–899	–993
Balance at 31 December 2022	**3 587**	**2 432**	**6 019**	**7 364**	**13 383**
thereof short-term provisions	1 114	899	2 013		
thereof long-term provisions	2 473	1 533	4 006		

2021 in CHF 1 000	Warranties	Other	Total provisions	Deferred taxes	Total provisions and deferred taxes
Balance at 1 January 2021	**3 504**	**3 145**	**6 649**	**304**	**6 953**
Additional provisions	1 146	10 265	11 411	33	11 444
Unused amounts reversed	–1 214	–270	–1 484	–126	–1 610
Amount used	–94	–765	–859	–	–859
Business combinations	56	–	56	8 684	8 740
Translation adjustments	–65	–45	–110	–	–110
Balance at 31 December 2021	**3 333**	**12 330**	**15 663**	**8 895**	**24 558**
thereof short-term provisions	1 355	10 712	12 067		
thereof long-term provisions	1 978	1 618	3 596		

Warranty provisions are recognized for warranty claims on products sold. The additional provisions in 2022 were based on several smaller cases.

As per 31 December 2021, other provisions included an earn-out liability related to the acquisition of Axis EMS Heights Ltd. in the amount of TCHF 8 858, which was fully used in 2022.

11 Taxes

Major Components of Tax Expense

in CHF 1 000	2022	2021
Current income taxes	4 791	3 274
Income tax for prior years	–13	–247
Deferred tax	–905	–299
Total tax expense	**3 873**	**2 728**

Deferred Tax Assets and Liabilities

in CHF 1 000	31.12.2022 Assets	31.12.2022 Liabilities	31.12.2021 Assets	31.12.2021 Liabilities
Deferred taxes on intangible assets	–	6 647	–	8 236
Deferred taxes on property, plant and equipment	204	423	141	446
Deferred taxes on inventory	1 005	129	766	116
Deferred taxes on other assets	110	206	434	470
Deferred taxes on accruals	228	65	237	177
Deferred taxes on other liabilities	280	158	1 738	1 337
Total	**1 827**	**7 628**	**3 316**	**10 782**
Deferred taxes on loss carried forward	1 722	–	1 729	-
Offset of assets and liabilities	–265	–265	–1 887	–1 887
Total deferred tax assets and liabilities	**3 284**	**7 364**	**3 158**	**8 895**

The Group average tax rate for the calculation of the deferred income taxes is 18.2 % (2021: 17.3%).

Reconciliation of Current Income Taxes and Deferred Taxes

in CHF 1 000	2022	2021
Profit before tax	**7 693**	**10 210**
Weighted average income tax in %	20.5%	19.5%
Expected income tax expense	1 578	1 991
Current year losses for which no deferred tax asset is recognized	726	144
Recognition of tax assets on previously unrecognized tax losses	–	–171
Derecognition of tax assets on previously recognized tax losses	–	168
Effect of non-deductible expenses	557	766
Effect of Goodwill amortization	1 053	79
Adjustments for current tax of prior periods	–42	–245
Other adjustments	1	–4
Effective income taxes	**3 873**	**2 728**
Effective income taxes in % of profit before tax	**50.3%**	**26.7%**

Tax Loss Carried Forward for which no Deferred Tax Assets have been Capitalized

in CHF 1 000	31.12.2022	31.12.2021
Tax loss carried forward expiring in 1 to 3 years	3 563	6 320
Tax loss carried forward expiring in more than 3 years	3 511	2 379

Since the Group operates in various tax jurisdictions, its average expected tax rate is calculated as a weighted average of the tax rates in these jurisdictions. This rate changes from year to year due to changes in the mix of the Group’s taxable income and changes in local tax rates.

Tax losses carried forward are capitalized where the possibility of using them is high.

12 Financial Liabilities

Long-term Financial Liabilities

in CHF 1 000	31.12.2022	31.12.2021
Borrowings, long-term	101 680	114 076
Financial leases	270	426
Total long-term financial liabilities	**101 950**	**114 502**

Short-term Financial Liabilities

in CHF 1 000	31.12.2022	31.12.2021
Bank overdrafts	2 341	–
Short-term portion of long-term borrowings	15 292	15 000
Financial leases	430	354
Total short-term financial liabilities	**18 063**	**15 354**

Maturity of Financial Liabilities

2022 in CHF 1 000	Total	2023	2024	2025	2026	2027	2028 and after
CHF 140.0 million revolving credit line and acquisition credit line	114 296	15 000	15 000	84 296	–	–	–
Basket of local credit lines / loans	5 017	2 633	263	2 121	–	–	–
Financial leases	700	430	200	37	33	–	–
Total	**120 013**	**18 063**	**15 463**	**86 454**	**33**	**–**	**–**

2021 in CHF 1 000	Total	2022	2023	2024	2025	2026	2027 and after
CHF 155.0 million revolving credit line and acquisition credit line	129 076	15 000	15 000	15 000	84 076	–	–
Basket of local credit lines / loans	–	–	–	–	–	–	–
Financial leases	780	354	276	150			
Total	**129 856**	**15 354**	**15 276**	**15 150**	**84 076**	**–**	**–**

On 18 June 2021, the Group signed a syndicated bank loan agreement which includes a revolving credit line of CHF 80 million plus allowance of an external basket of CHF 20 million valid for four years, beginning on 26 July 2021, with two extension options of one additional year each, therefore running for a maximum term of six years. The credit agreement also contained an optional acquisition credit line in the amount of CHF 75 million, which was utilised on 29 November 2021 for the acquisition of Axis Electronics Ltd.

The covenants are net debt / EBITDA ratio of a maximum of 2.75 times at year-end and 3.00 times during the year and a minimum equity ratio of 30%. EBITDA is calculated before restructuring costs, and EBITDA of acquisitions can be added pro forma. The interest is based on SARON added by a variable margin depending on the net debt / EBITDA ratio. The revolving credit line, which was divided into CHF 73 million cash and CHF 7 million for guarantees, was utilized at 31 December 2022 by CHF 55 million cash at a variable interest rate of 1.92% on average and CHF 2.7 million was utilized for guarantees bearing commission charges between 0.2 and 0.7%. Furthermore, CHF 5 million of the external basket has been utilized as of 31 December 2022.

Property, plant and equipment of CHF 5.2 million and inventory of CHF 31.6 million was pledged to local banks as of 31 December 2022.

The shares of the following companies are in deposit with the lead bank, pledged as collateral for the syndicated credit line: Cicorel SA, Electronicparc Holding AG, Swisstronics Contract Manufacturing AG, Reinhardt Microtech AG, RHe Microsystems GmbH and Axis EMS Heights Ltd.

13 Liabilities for post-employment benefits

Cicor maintains several pension plans for employees in Switzerland, Germany and the United Kingdom. Pension expenses totaled TCHF 3 521 (2021: TCHF 2 268). German pension funds are not legally independent in contrast to Swiss and United Kingdom pension funds. Companies therefore need to recognize a provision according to the German Commercial Code. RHe Microsystems GmbH and Reinhardt Microtech GmbH did so by recognizing TCHF 855 (2021: TCHF 920) and TCHF 840 (2021: TCHF 986) respectively as liability.

In Switzerland the majority of Cicor's insured employees are covered for the risk of old age, death and disability within a collective pension scheme which is administrating pension plans of various unrelated employers. The plan is an independent pension fund.

The standard retirement age is 65 for males and 64 for females. Employees qualify for early retirement on their 58th birthday at the earliest. Furthermore, the employees may choose to take their entire pension or part thereof in the form of capital payment. For retirements at the age of 65, the conversion rate is 6.0 % for the compulsory part and 5.6 % for the supplementary part. This rate is relevant to determine the pension payment in relation to the accumulated savings. These savings result from employee and employer contributions which are paid into the individual savings account of each individually insured person as well as the interest accruing on the accumulated savings.

It is a collective multiemployer pension fund organized as a foundation under Swiss law. The most senior governing body of the foundation is the Board of Trustees that consists of an equal number of employers' and employees' representatives. The people entrusted with the management of the pension fund and its assets are subject to the charter of the Swiss Pension Fund Association ASIP. All processes are audited by the internal auditors and the independent external auditors as well as the investment controller. And finally, the supervisory authority, the Zentralschweizer BVG- und Stiftungsaufsicht (ZBSA), audits the management of the pension fund and the assets in collaboration with the auditors.

The projected funding ratio as per 31 December 2022 is 100% (31.12.2021 = 113%). Whenever there is a legal obligation to cover an underfunding, this has to be remedied by various measures such as increasing employee and employer contributions, lowering the interest rate on retirement account balances, reducing prospective benefits and a suspension of the early withdrawal facility.

in CHF 1 000	**Surplus/ deficit**	**Economical part of the organization**		**Change to PY or recognized in the current result**	**Contributions concerning the business period**	**Pension benefit expenses within personnel expenses**	
	31.12.2022	**31.12.2022**	**31.12.2021**			**2022**	**2021**
Pension institutions without surplus / deficit	n/a	n/a	n/a	–	826	826	78
Pension institutions with surplus[1]	–	–	–	–	2 650	2 650	2 183
Pension institutions without own assets	–	1 695	1 906	–211	256	45	7
Total	**–**	**1 695**	**1 906**	**–211**	**3 732**	**3 521**	**2 268**

14 Other Current Liabilities and Accruals

in CHF 1 000	31.12.2022	31.12.2021
Value-added taxes	1 058	1 213
Other current liabilities	1 751	1 874
Other accounts payable	23 627	20 043
Total other current liabilities	**26 436**	**23 130**
Accrued personnel expenses	8 357	8 945
Other accrued expenses	6 546	4 410
Total accruals	**14 903**	**13 355**
Total other current liabilities and accruals	**41 339**	**36 485**

Other current liabilities and accrued expenses are non-interest-bearing financial liabilities. Other accounts payable also contain prepayments from customers and payables for social security.

15 Lease Commitments

in CHF 1 000	31.12.2022	31.12.2021
Within 1 year	4 785	4 415
From over 1 year to under 5 years	13 594	13 456
Due in 5 years or later	10 917	10 969
Total operating leasing	**29 296**	**28 840**

Operating leasing commitments stem mostly from mid- to long-term lease obligations for production and office premises. The leases have varying terms and renewal rights.

For financial leasing, please refer to note 12.

16 Contingent liabilities

There were no contingent liabilities for Cicor Group companies as at 31 December 2022 or as at 31 December 2021.

17 Issued Capital

Ordinary share capital

Effective as of 14 April 2022, 340 000 new registered shares with a par value of CHF 10.00 each were created from the authorized capital according to Art. 5 sexies of the company's Articles of Association. The subscription rights of the 340 000 newly created true reserve shares have been withdrawn in view of potential acquisitions. The Cicor Group thus secures the flexibility to use the newly created shares at any time and at short notice to partially finance future acquisitions. The ordinary share capital as of 31 December 2022 consists of 3 409 542 registered shares with a par value of CHF 10.00 each (31 December 2021: 3 069 542 registered shares with a par value of CHF 10.00 each).

Cicor Technologies Ltd. is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20 % of share capital (CHF 6 819 084) as well as the reserve for treasury shares may not be distributed.

Mandatory convertible note

On 20 January 2022, Cicor issued a five-year, interest-free mandatory convertible note (MCN) with a principal amount of CHF 20 million. The MCN was subject to a reopening clause allowing Cicor to increase the principal amount of the MCN up to a maximum principal amount of CHF 60.2 million within the twelve-months reopening period without prior consent or permission of the holders through the issue of further fungible MCNs fully allocated to its main shareholder OEP, under its agreement to provide Cicor a fully underwritten standby equity facility. On 27 September 2022 Cicor exercised its option to reopen the issuance of the mandatory convertible note in the amount of CHF 40.2 million and to sell these additional notes to OEP.

The conversion price is fixed at CHF 47.50 per share, subject to subsequent adjustments for anti-dilution events. Shares to be delivered upon conversion of a MCN will be new shares to be issued from the conditional capital of the issuer with the same entitlements as the other outstanding shares. No fractions will be delivered to, and no cash payments will be made to the holders. The MCN contains the following early conversion option for holders: Each holder may elect to early convert MCNs during the optional conversion period starting 730 days after issuance up to ten days prior to maturity or following the formal announcement of a take-over bid to Cicor's shareholders during the additional offer period, unless certain thresholds have not been met after the first offer period.

Upon occurrence of certain predefined events, the MCNs will be subject to an accelerated conversion and will be mandatorily converted on the maturity date, unless previously converted under the early conversion options or following an accelerated conversion. In accordance with Cicor's accounting policy for interest-free mandatorily convertible notes, the MCN is classified as an equity instrument in its entirety, as it does not contain any obligations to deliver cash and does not require settlement in a variable number of the Group's equity instruments.

Dividend

At the Shareholders' Meeting on 12 April 2022, the shareholders decided that no dividend will be paid for the financial year 2021.

Conditional capital

At the Annual General Meeting of Shareholders on 12 April 2022, the Shareholders decided to extend the conditional capital according to Art. 5 bis of the company's Articles of Association as follows: The share capital may be conditionally increased by a maximum of CHF 1 200 000 by issuing up to 120 000 fully paid-in registered shares with a nominal value of CHF 10.00 each through the exercise of option rights granted to directors, officers, senior executives and employees of the company or its subsidiaries, according to plans established by the Board of Directors

At the Annual General Meeting of Shareholders on 16 December 2021, the Shareholders decided to create conditional capital according to Art. 5 ter of the company's Articles of Association as follows: The share capital of the company may be increased by an additional maximum amount of CHF 13 303 750 by issuing up to 1 330 375 fully paid-in registered shares with a nominal value of CHF 10.00 each through the exercise or compulsory exercise of conversion, exchange, option or similar subscription rights granted to shareholders or third parties, alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations, subscription or similar share subscription rights, granted to shareholders or third parties, alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations of the Company or one of its subsidiaries.

Authorized capital

At the Annual General Meeting of Shareholders on 16 April 2020, the shareholders decided to renew the authorization of the Board of Directors to increase the share capital by a maximum of 600 000 fully paid-in shares at a nominal value of CHF 10 by 16 April 2022. 167 450 of those shares were used for the capital increase as of 30 November 2021 in connection with the purchase of Axis EMS Heights Ltd. and its subsidiaries. Effective as of 14 April 2022, 340 000 new registered shares with a par value of CHF 10.00 each were created from the authorized capital according to Art. 5 sexies of the company's Articles of Association. The authorized capital ceased to exist on 15 April 2022 and the Company has no authorized capital as of 31 December 2022 consequently.

18 Treasury Shares

	2022 in shares	2022 CHF 1 000	2021 in shares	2021 CHF 1 000
Balance as per 1 January	**116**	**6**	**116**	**6**
Increase of ordinary share capital	340 000	3 400	–	–
Used for acquisitions	–98 157	–982	–	–
Purchase of treasury shares	883	45	–	–
Share-based payments	–926	–47	–	–
Balance as per 31 December	**241 916**	**2 422**	**116**	**6**

19 Earnings per Share

	2022	2021
Net profit attributable to Cicor shareholders in CHF thousand	3 820	7 482
Average number of ordinary shares outstanding	3 099 812	2 916 657
Average number of conditional shares for conversion of MCN	619 310	–
Total average number of shares outstanding and conditional	**3 719 122**	**2 916 657**
Dilutive impact of share-based remuneration	5 442	–
Total average number of shares outstanding and conditional, diluted	**3 724 564**	**2 916 657**
Basic earnings per share in CHF	**1.03**	**2.57**
Diluted earnings per share in CHF	**1.03**	**2.57**

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

Cicor issued a mandatory convertible note (MCN) in 2022. Upon conversion of the MCN, 1 267 116 ordinary shares will be created out of the conditional capital of the Company. The weighted average number of those conditional shares that will be created based on MCNs already outstanding is included in basic earnings per share.

The Board of Directors and employees of Cicor receive part of their remuneration in Cicor shares. The dilutive impact of share-based remuneration is included in diluted earnings per share.

20 Personnel Costs

in CHF 1 000	2022	2021
Wages and salaries	69 848	58 645
Social security costs	9 526	7 392
Other personnel costs	4 924	3 868
Total	**84 298**	**69 905**

Share-based remuneration

Remuneration of the Board of Directors

Members of the Board of Directors receive part of their remuneration in Restricted Share Units (RSUs), which are later converted into Cicor Shares.

An RSU is a personal award to receive one common registered share of Cicor per RSU. The number of granted RSUs is determined by dividing the relevant gross compensation amount by the average closing price of the Cicor share of the last 10 trading days immediately prior to the AGM that marks the beginning of the term of office. The shares are usually transferred to the beneficiaries on the first trading day after the Annual General Meeting that marks the end of the term of office and are then subject to a three-year blocking period, during which they may not be sold or otherwise disposed of. The blocking period is lifted immediately on the date of a Board member's demise.

1 627 shares (2021: 0 shares) valued at CHF 49.17 (2021: n/a) were granted in 2022, and expenses of TCHF 57 (2021: TCHF 0) were recognized in wages and salaries in 2022 for the remuneration of the Board of Directors.

Performance Stock Option Plan (PSOP)

Members of the executive committee (EC) may be invited to participate in the Performance Stock Option Plan (PSOP), upon individual nomination by the Board of Directors. Participants receive a grant of non-tradable performance stock options of Cicor at the beginning of a year, the total value of which (the gross compensation amount) is determined by the Board of Directors. The number of granted stock options is determined by dividing the approved gross compensation amount by the fair value of those options, which is assessed by an external valuation specialist. The performance stock options vest after a three-year vesting period if the participant is still in active employment with Cicor, but conditional upon the achievement of the performance condition. The performance condition is relative TSR, which compares the share price evolution and dividend payments of Cicor with a predefined peer group of eleven listed companies in the EMS industry that are comparable to Cicor. If Cicor outperforms at least half of the peer companies, 50% of the performance stock options will vest. The vesting percentage can go up to 100% for being the best performing company, and down to 0% if more than 75% of the peer companies performed better than Cicor. Once vested, the stock options may be exercised for a period of four years. The gain realized by the participants corresponds to the difference between the share price of the Cicor share at the time of exercise and the exercise price of the stock option.

10 385 performance stock options (2021: 0 performance stock options) valued at CHF 16.37 (2021: n/a) were granted in 2022, and expenses of TCHF 51 (2021: TCHF 0) were recognized in wages and salaries in 2022 for the PSOP.

Performance Share Plan (PSP)

Members of the executive committee and leadership team, as well as other selected key managers, may be invited to participate in the Performance Share Plan (PSP), upon individual nomination by the CEO and approval by the Board of Directors. Participants receive a grant of performance share units (PSU) whose total value (the gross compensation amount) is determined by the Board of Directors. The number of granted PSUs is determined by dividing the relevant gross compensation amount by the average closing price of the Cicor share of the last 30 business days prior to the grant date. A PSU is a conditional right to receive Cicor shares after a vesting period of three years if the company meets certain performance targets over the vesting period and if participants are in active employment with Cicor at the end of the three-year vesting period. The performance conditions are reaching specific levels of revenue growth and EBITDA margin for Cicor Group. Depending on the achievement of these performance conditions, each PSU may be converted into up to two Cicor shares, which is the upper cap if the performance conditions are overfulfilled, or the PSU may lapse if the lower cap of the performance conditions are not reached.

11 499 PSUs (2021: 0 PSUs) valued at CHF 53.30 (2021: n/a) were granted in 2022, and expenses of TCHF 183 (2021: TCHF 0) were recognized in wages and salaries in 2022 for the PSP.

Former LTI

The former LTI was discontinued in financial year 2021 and was replaced by the Performance Stock Option Plan and the Performance Share Plan in financial year 2022.

No shares were granted to employees in financial year 2022 (2021: 10 300 shares valued at CHF 53.38) based on the former LTI. Expenses of TCHF 172 (2021: TCHF 226) were recognized in wages and salaries in 2022 for the former LTI.

Number of Employees by function

Number of employees (FTE)	**31.12.2022**	**31.12.2021**
Production	1 973	1 953
Sales and marketing	84	83
Administration	161	145
Total	**2 217**	**2 181**

21 Other Operating Expenses

in CHF 1 000	2022	2021
Facility costs	10 899	8 580
Maintenance costs	3 920	3 308
Other production costs	7 831	5 839
Sales and marketing costs	835	807
Administration costs	6 633	4 746
Total	**30 118**	**23 280**

22 Financial Income and Expenses

in CHF 1 000	2022	2021
Income		
Interest income	85	4
Foreign exchange gains	7 780	4 283
Total	**7 865**	**4 287**
Expense		
Interest expense	3 088	1 042
Other financial expenses	445	517
Foreign exchange losses	8 873	4 722
Total	**12 406**	**6 281**

23 Related-Party Disclosures

The consolidated financial statements include the financial statements of Cicor Technologies Ltd., Boudry, and the subsidiaries listed in note 3.

The governing and supervisory bodies of Cicor Technologies Ltd. are the only other related parties.

As per 31 December 2022, OEP 80 B.V., the main shareholder, holds 24.98 % of total shares outstanding. Other principal shareholders are presented in the notes of the financial statements of Cicor Technologies Ltd.

Related-Party transaction

In 2022 Cicor Anam Ltd, Vietnam, acquired a production building for VND 87 820 million (CHF 3.3 million) from Spartronics, which is controlled by the beneficial owner of Cicor's main shareholder OEP 80 B.V.
In addition, Cicor Anam entered a lease agreement with Spartronics for the land on which the building is located for the term from January 2023 to February 2046 with a contract value of VND 15 094 million (CHF 0.6 million), which Cicor prepaid in full in 2022.

OEP, the main shareholder, and Cicor entered into an agreement as part of the issuance of the MCN under which OEP provided a fully underwritten stand-by equity facility to Cicor (backstop). Under the agreement, OEP suspended its preferential subscription rights to acquire MCNs until the reopening and in addition stood ready to acquire all remaining MCNs up to the maximum principle amount of the MCN. OEP was compensated by a backstop fee of 150 bps of the backstopped amount, i.e. the percentage offered to other shareholders. The backstop fee was based on market rates for such services and payable under normal payment terms. In the reporting period, backstop fees of TCHF 652 were paid to OEP under this agreement. For additional information on the MCN please refer to note 17.

Compensation of key management personnel of the Group

The remuneration of the Board of Directors and the management also include the remuneration recorded at subsidiaries. Detailed information concerning compensation is disclosed in the remuneration report.

24 Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The following paragraphs give an overview of the extent of the above-mentioned risks.

Credit risk

The credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. The assets mainly exposing the Group to a credit risk are: cash, cash equivalents and trade accounts receivable. The Group minimizes credit risk arising on cash and cash equivalents by investing in funds of high credit-rated banks. These investments generally have a maturity of less than three months.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. The danger of risk concentration is generally minimized by the large number of customer credit balances, as no single customer accounts for more than 8% of consolidated sales 2022 (2021: 8% of consolidated sales).

The carrying value of financial assets reflects the maximum credit risk and is presented in the table below:

in CHF 1000	**2022**	**2021**
Cash and cash equivalents	75 491	68 797
Trade accounts receivable	50 606	44 080
Other accounts receivable	3 621	4 271
Other currrent assets	140	42
Total	**129 858**	**117 190**

Every operational unit has a credit policy under which each new customer is analyzed individually for creditworthiness. Purchase limits are established for each customer which represent the maximum open amount possible. On a quarterly basis, the allowances made according to the Group's rules laid down in the financial manual are closely monitored.

Market risk

The market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of risk management is to manage and control market risk exposures within acceptable limits.

Currency risk

The Cicor Technologies Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are Swiss francs (CHF), euros (EUR), Singapore dollars (SGD), US dollars (USD) and British pound sterling (GBP). These risks are mostly offset by cash flows from financial assets or liabilities resulting from opposite operational transactions (natural hedge). At 31 December 2022, foreign exchange forwards to hedge future cash flows with a negative replacement value of TCHF 58 were outstanding. No foreign exchange forwards for the hedging of currency risks on Group loans are outstanding.

in CHF 1000	**Assets**		**Liabilities**		**Purpose**
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**	
Foreign exchange forwards	–	–	58	–	Hedging
Total	**–**	**–**	**58**	**–**	

Interest rate risk

The interest rate risk is the risk that there is a change in market value or future cash flow of a financial instrument if there is a change in interest rate.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing financial debts. The Group's policy is to manage its interest cost using a mix of fixed and variable debt. For the syndicated bank loan, the interest rate increased in 2022 from an average of 1.1% to 1.92%.

Liquidity risk

The liquidity risk is the risk that Cicor Technologies Ltd. cannot meet its financial obligations when they are due.

A syndicated loan of CHF 140 million (utilized as per 31 December 2022: CHF 115 million) is available to secure short- to long-term financing requirements (see note 12). Compliance with the financial covenants defined in the syndicated loan is a central element of the Group’s financial risk management. The respective bank covenants were fulfilled on all reporting dates. The short-term liquidity risk is reduced by the cash flow generated by operations, the trend of which is monitored continuously.

The following table shows the contractual cash flows of financial liabilities including interest payments as of 31 December:

2022 in CHF 1 000	Carrying amount	Contractual cash flow	2023 contractual cash flow	2024 contractual cash flow	2025 contractual cash flow	2026 contractual cash flow	2027 and after contractual cash flow
Financial liabilities	120 716	126 071	20 452	17 494	88 091	33	–
Trade payables	39 564	39 564	39 564	–	–	–	–
Other current liabilities and accruals	42 330	42 330	42 330	–	–	–	–
Total	**202 610**	**207 965**	**102 346**	**17 494**	**88 091**	**33**	**–**

2021 in CHF 1 000	Carrying amount	Contractual cash flow	2022 contractual cash flow	2023 contractual cash flow	2024 contractual cash flow	2025 contractual cash flow	2026 and after contractual cash flow
Financial liabilities	130 780	134 024	16 356	16 183	16 018	85 468	–
Trade payables	39 691	39 691	39 691	–	–	–	–
Other current liabilities and accruals	35 824	35 824	35 824	–	–	–	–
Total	**206 295**	**209 539**	**91 871**	**16 183**	**16 018**	**85 468**	**–**

The net carrying amount of financial assets and liabilities is a reasonable approximation of the fair value. No significant deviations between the net carrying amount and the fair value were noted. Financial liability is measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period.

25 Subsequent events

Effective 20 January 2023, the Cicor Group acquired 100% of the shares of Phoenix Mecano Digital Elektronik GmbH with two sites in Thuringia (Germany) and Phoenix Mecano Digital Tunisie S.a.r.l. located in Borj-Cedria (Tunisia) for a consideration of EUR 23.6 million (CHF 23.5 million). The sites acquired from Phoenix Mecano AG (SIX Swiss Exchange: PM) have been able to win some of the leading companies in Cicor's target market of medical technology as customers in recent years and generated revenue of around EUR 32 million and EBITDA of around EUR 3 million in financial year 2022. The German sites will be integrated into the organizational unit "Cicor Germany" of the Electronic Manufacturing Services (EMS) Division. The Tunisian site will also become part of the global production network of the EMS Division.

Effective 1 March 2023, Cicor Group completed the acquisition of the thin-film business of AFT microwave GmbH, Backnang, Germany, as part of an asset deal, for a preliminary consideration of EUR 1.3 million (CHF 1.3 million). AFT microwave GmbH has found a reliable partner for the future of its profitable business area of layout and production of substrates based on thin-film technology in the Cicor Group. The thin-film business has historically generated annual sales in the low single-digit million-euro range. As part of the asset deal, Cicor will integrate all employees, the existing equipment and the complete knowledge of the thin-film business at AFT's site into the Advanced Substrates division.

KPMG

Statutory Auditor’s Report

To the General Meeting of Cicor Technologies Ltd., Boudry

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and 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 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, together with 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

VALUATION OF INVENTORY ALLOWANCES

VALUATION OF GOODWILL AND INTANGIBLE ASSETS AXIS GROUP

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.

VALUATION OF INVENTORY ALLOWANCES

Key Audit Matter

As per 31 December 2022, the Group had inventory balances, including work-in-progress (WIP) balances, of CHF 117.4 million. The Group's business model drives a variety and complexity of products, mainly electronic components, devices and systems. Management has to apply judgment in assessing the level of allowance required to account for slow-moving, excess or obsolete inventory items.

Inventory allowances are determined using methodologies that the Group deems appropriate to the respective business.

The level of judgment involved in assessing whether an allowance should be recognized and how it should be measured, coupled with the fact that allowance movements impact operating profit/loss, results in inventory allowances being a key area that our audit was concentrated on.

Our response

Our procedures included, amongst others, the following:

— obtaining an understanding of the Group's process for determining inventory allowances and, for specific significant entities, testing the key controls that mitigate the risk of over- or understatement of the inventory allowances;
— challenging the appropriateness of the Group's methodologies and assumptions based on our understanding of the individual businesses within the Group, taking into account the nature of their inventories, information on inventory turnover and consumption rates in the past as well as expected future usage, and evidence gained from observing physical inventory counts;
— testing the mathematical accuracy of the calculation of the inventory allowances on a sample basis; and
— assessing on a sample basis the recoverability of inventory through comparison of net realizable values to cost, considering where applicable the expected cost to complete. This also involved tracing recognized cost amounts back to source documents.

For further information on valuation of inventory allowances refer to the following:

— Note 2.2 - Significant accounting principles, Inventories
— Note 7 - Inventories

VALUATION OF GOODWILL AND INTANGIBLE ASSETS AXIS GROUP

Key Audit Matter

As at 31 December 2022, intangible assets (including goodwill) of the Axis group amount to a total of CHF 54.9 million.

Management tests the intangible assets for impairment by applying a discounted cash flow model based on projected results for the relevant cash generating unit ("CGU").

The impairment test for this item requires significant management judgment with regards to cash flow forecasts, margin, growth rate as well as the discount rate, and is therefore a key area of audit focus.

Our response

Our procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare cash flow forecasts. We used our own valuation specialists to support our procedures.

Amongst others, we performed the following audit procedures:

— agreeing forecasts used in the impairment tests to current expectations of management and the business plans approved by the Board of Directors;
— challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, margin, growth rate and the discount rate by comparing them with publicly available data and our understanding of the commercial prospects of the relevant CGU; and
— assessing the accuracy of management's calculations for those assets/CGUs subject to impairment testing and consider whether the assets/CGUs tested are complete.

For further information on valuation of goodwill and intangible assets AXIS Group refer to the following:

— Note 2.2 - Significant accounting principles, Goodwill / Other intangible assets
— Note 6 - Intangible Assets

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 standalone financial statements of the company, the compensation report 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 Statement

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 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.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 1 March 2023

Balance sheet

in CHF 1 000	31.12.2022	in %	31.12.2021	in %
Assets				
Cash and cash equivalents	59 961	20.4	36 806	15.7
Other current receivables				
– Third parties	71	0.0	208	0.1
– Subsidiaries	34 434	11.7	12 982	5.5
Short-term loans to Group companies	1 777	0.6	1 866	0.8
Accruals	2 131	0.7	1 454	0.6
Current assets	**98 374**	**33.5**	**53 316**	**22.8**
Long-term loans to subsidiaries	37 049	12.6	38 281	16.4
Investments	158 439	53.9	142 375	60.9
Non-current assets	**195 488**	**66.5**	**180 656**	**77.2**
Total assets	**293 862**	**100.0**	**233 972**	**100.0**
Liabilities and shareholders' equity				
Financial liabilities				
– Subsidiaries	18 820	6.4	10 772	4.6
– Third parties	15 000	5.1	15 000	6.4
Other liabilities				
– Subsidiaries	10	0.0	2	0.0
– Third parties	20	0.0	9 146	3.9
Accrued expenses	1 412	0.5	1 869	0.8
Current liabilities	**35 262**	**12.0**	**36 789**	**15.7**
Non-current financial liabilities				
– Third parties	60 188	20.5	–	-
Non-current interest bearing liabilities				
– Third parties	100 000	34.0	115 000	49.2
Non-current liabilities	**160 188**	**54.5**	**115 000**	**49.2**
Share capital	34 095	11.6	30 695	13.1
Legal capital reserves				
- General reserve	2 381	0.8	1 467	0.6
- Capital contribution reserve	108 354	36.9	96 183	41.1
- Share premium	–	–	8 949	3.8
Voluntary retained earnings				
– Loss brought forward	–55 105	–18.8	–54 153	–23.1
– Net profit for the year	11 109	3.8	–952	–0.4
Treasury shares	–2 422	–0.8	–6	–0.0
Shareholders' equity	**98 412**	**33.5**	**82 183**	**35.1**
Total liabilities and shareholders' equity	**293 862**	**100.0**	**233 972**	**100.0**

Income statement

in CHF 1 000	2022	2021
Income		
Financial income	19 048	3 241
Interest received from Group companies	1 350	962
Total income	**20 410**	**4 203**
Expenses		
Financial expense	6 188	2 328
Administrative expense	3 028	2 742
Tax	85	85
Total expenses	**9 301**	**5 155**
Net profit for the year	**11 109**	**–952**

Notes 1–3

1 Principles

General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Non-current assets

Non-current assets include long-term loans and investments. Loans granted in foreign currencies are translated at the exchange rate applicable on the balance sheet date; unrealized losses are recorded, but unrealized profits are not recognized. Investments are valued at their acquisition cost adjusted for impairment losses, if any.

Treasury shares

Treasury shares are recognized at historical costs and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through equity.

Long-term interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Issue costs for financial debts are capitalized and amortized on a straight-line basis over the financial debt maturity period.

Foregoing a cash flow statement and additional disclosures in the notes

As Cicor Technologies Ltd. has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

Derivative financial instruments

Derivative financial instruments for hedging balance sheet items are stated at fair value upon conclusion of the contract and are shown under other current receivables third parties and financial liabilities third parties. Consequently, the derivative financial instruments are valued at market value at each end of period whereas non-realized gains and losses are recognized in the financial result. The market values of the derivative financial instruments are derived from the market prices at the end of the period. To hedge currency risks, the Group can make use of foreign exchange forwards.

2 Information on Balance Sheet and Income Statement items

Loans to subsidiaries

Loans in the amount of TCHF 18 150 have been granted to subsidiaries in Switzerland and Asia. Loans in the amount of TEUR 10 200 have been granted to subsidiaries in Germany and Romania. Loans in the amount of TUSD 8 727 have been granted to subsidiaries in Asia. A loan in the amount of TSGD 3 700 has been granted to a subsidiary in Asia.

Investments

in 1 000, unless otherwise stated	Participation in %	Currency	31.12.2022	31.12.2021
Cicorel SA, Boudry/Switzerland*	100	CHF	8 000	8 000
Engineering/Production/Sales/ Distribution				
Reinhardt Microtech AG, Wangs/ Switzerland*	100	CHF	1 800	1 800
Engineering/Production/Sales/ Distribution				
Reinhardt Microtech GmbH, Ulm/ Germany	100	EUR	500	500
Engineering/Production/Sales/ Distribution				
RHe Microsystems GmbH, Radeberg/ Germany*	100	EUR	216	216
Engineering/Production/Sales/ Distribution				
Cicor Deutschland GmbH*[1]	100	EUR	5 000	n/a
Engineering/Production/Sales/ Distribution				
Electronicparc Holding AG, Bronschhofen (Wil)/Switzerland*	100	CHF	23 271	23 271
Holding/Finance				
Swisstronics Contract Manufacturing AG, Bronschhofen (Wil)/Switzerland	100	CHF	3 000	3 000
Engineering/Production/Sales/ Distribution				
Systronics SRL, Arad/Romania	100	RON	5 145	5 145
Production/Sales				
Axis EMS Heights Limited*	100	GBP	141	141
Holding/Finance				

Axis EMS Group Limited Holding/Finance	100	GBP	264	264
Axis EMS Holding Limited Holding/Finance	100	GBP	885	885
Axis Electronics Limited Engineering/Production/Sales/Distribution	100	GBP	10	10
ESG Holding Pte Ltd., Singapore* Holding/Finance	100	SGD	1 896	1 896
Cicor Asia Pte Ltd., Singapore Sales/Distribution	100	SGD	2 000	2 000
PT Cicor Panatec, Batam/Indonesia Production	100	USD	300	300
Brant Rock Enterprises Corporation, British Virgin Islands Holding/Finance	100	USD	10	10
Cicor Anam Ltd., Anam/Vietnam Production	100	USD	1 500	1 500
Suzhou Cicor Technology Co. Ltd., China Production	100	CNY	42 033	42 033
Cicor Americas Inc., USA* Sales/Distribution	100	USD	10	10
Cicor Management AG, Bronschhofen (Wil)/Switzerland* Management Services	100	CHF	250	250

* Directly held subsidiaries.
1) The company was renamed from SMT Elektronik GmbH.

Non-current financial liabilities

On 20 January 2022, Cicor issued a five-year, interest-free mandatory convertible note (MCN) with a principal amount of CHF 20 million. The MCN was subject to a reopening clause allowing Cicor to increase the principal amount of the MCN up to a maximum of CHF 60.2 million within the 12-months reopening period without prior consent or permission of the holders through the issue of further fungible MCNs fully allocated to its main shareholder OEP, under its agreement to provide Cicor with a fully underwritten standby equity facility. On 27 September 2022, Cicor exercised its option to reopen the issuance of the mandatory convertible note in the amount of CHF 40.2 million and to sell these additional notes to OEP.

The conversion price is fixed at CHF 47.50 per share, subject to subsequent adjustments for anti-dilution events. Shares to be delivered upon conversion of the MCN will be new shares to be issued from the conditional capital of the issuer with the same entitlements as the other outstanding shares. No fractions will be delivered and no cash payments will be made to the holders. The MCN contains the following early conversion option for holders: each holder may elect to convert the MCN early during the optional conversion period starting 730 days after issuance up to 10 days prior to maturity or following the formal announcement of a takeover bid to Cicor's shareholders during the additional offer period, unless certain thresholds have not been met after the first offer period.

Non-current interest-bearing liabilities

Cicor signed a syndicated bank loan agreement on 18 June 2021 on a total line of CHF 80 million plus an optional acquisition credit line in the amount of CHF 75 million.

As of 31 December 2022, CHF 55 million of the revolving credit line was utilized and the optional acquisition credit line in the amount of CHF 75 million was fully utilized. CHF 60 million remains outstanding on this line.

Ordinary share capital

Effective as of 14 April 2022, 340 000 new registered shares with a par value of CHF 10.00 each were created from the authorized capital according to Art. 5 sexies of the Company's Articles of Association. The subscription rights of the 340 000 newly created true reserve shares have been withdrawn in view of potential acquisitions. The Cicor Group has thus secured the flexibility to use the newly created shares at any time and at short notice in order to partially finance future acquisitions. The ordinary share capital as of 31 December 2022 consists of 3 409 542 registered shares with a par value of CHF 10.00 each (31 December 2021: 3 069 542 registered shares with a par value of CHF 10.00 each).

Cicor Technologies Ltd. is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20% of share capital may not be distributed.

Capital contribution reserve

Distributions from the capital contribution reserve are not subject to income taxes in Switzerland and can be effected free of Swiss withholding tax. The increase in 2022 stems from transactions in November 2021 (CHF 8 030 774) and September 2022 (CHF 4 140 613). The confirmation from the Swiss tax authorities that these additions qualify as part of the capital contribution reserve has not yet been received.

Share premium

The amount of CHF 8 030 774 was transferred to the capital contribution reserve in 2022. The remaining balance of CHF 1 685 075 was transferred to the general reserve.

Dividend

At the Shareholders' Meeting on 12 April 2022, the shareholders decided that no dividend will be paid for the financial year 2021

Authorized capital

At the Annual General Meeting on 16 April 2020, the shareholders decided to renew the authorization of the Board of Directors to increase the share capital by a maximum of 600 000 fully paid-in shares at a nominal value of CHF 10 by 16 April 2022. 167 450 of those shares were used for the capital increase as of 30 November 2021 in connection with the purchase of Axis EMS Heights Ltd. and its subsidiaries. Effective as of 14 April 2022, 340 000 new registered shares with a par value of CHF 10.00 each were created from the authorized capital according to Art. 5 sexies of the Company's Articles of Association. The authorized capital ceased to exist on 15 April 2022 and the Company consequently had no authorized capital as of 31 December 2022.

Conditional capital

At the Annual General Meeting on 12 April 2022, the Shareholders decided to extend the conditional capital according to Art. 5 bis of the Company's Articles of Association as follows: the share capital may be conditionally increased by a maximum of

CHF 1 200 000 by issuing up to 120 000 fully paid-in registered shares with a nominal value of CHF 10.00 each through the exercise of option rights granted to directors, officers, senior executives and employees of the Company or its subsidiaries, according to plans established by the Board of Directors.

At the Annual General Meeting on 16 December 2021, the shareholders decided that the share capital of the Company may be increased by an additional maximum amount of CHF 13 303 750 by issuing up to 1 330 375 fully paid-in registered shares with a nominal value of CHF 10.00 each through the exercise or compulsory exercise of conversion, exchange, option or similar subscription rights granted to shareholders or third parties, alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations, subscription or similar share subscription rights, granted to shareholders or third parties, alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations of the Company or one of its subsidiaries (hereinafter collectively: financial instruments).

Treasury shares

	2022 in shares	2022 CHF 1 000	2021 in shares	2021 CHF 1 000
Balance as of 1 January	**116**	**6**	**116**	**6**
Purchase from Cicor Management AG	340 000	3 400	–	–
Purchase from stock market	883	45	–	–
Used for acquisitions	–98 157	–982	–	–
Share-based payments	–926	–47	–	–
Balance as of 31 December	**241 916**	**2 422**	**116**	**6**

Financial income

Financial income includes dividends from subsidiaries of TCHF 16 711 and foreign exchange gains of TCHF 2 337.

Administrative expense

Administrative expense mainly consists of remuneration to the Board of Directors of TCHF 300 and stewardship costs of TCHF 2 487 (costs charged by Cicor Management AG, costs for the annual report and the Annual General Meeting and consulting, investor relations and audit costs).

3 Other information

Full-time equivalents

Cicor Technologies Ltd. does not have any employees.

Collateral provided for liabilities of third parties

For a lease contract between Cicorel and a Swiss insurance company, Cicor Technologies Ltd. grants a guarantee in favor of said insurance company in the amount of TCHF 6 896 (2021: TCHF 7 449), which represents the discounted value of future rental payments.

Pledged assets

The shares of the following companies are in deposit with Commerzbank AG and pledged as collateral for the syndicated credit line: Cicorel SA, Electronicparc Holding AG, Swisstronics Contract Manufacturing AG, Reinhardt Microtech AG, RHe Microsystems GmbH, Axis EMS Heights Ltd.

Principal shareholders

The following shareholdings correspond to the ones reported according to the regulations of the Swiss stock exchange (SIX Swiss Exchange) and updated as in the share register as of the end of the year.

Shareholders	31.12.2022 No of shares	in % [1]	31.12.2021 No of shares	in % [1]
OEP 80 B.V., Amsterdam, Netherlands[2]	851 705	24.98	851 705	27.75
Lock-up Group Axis Electronics Management, Milton Keynes, United Kingdom	265 607	7.79	167 450	5.46
Cicor Technologies Ltd., Boudry, Switzerland[3]	241 916	7.10	116	0.00
LLB (Swiss) Investment AG, Zurich, Switzerland	115 757	3.40	129 626	4.22
FundPartner Solutions (Suisse) SA, Geneva, Switzerland	111 649	3.27	94 720	3.09
Escatec Holdings Ltd., Port Vila, Vanuatu[4]	111 465	3.27	110 840	3.61

1) In % of the total registered shares as per the end of the year.
2) Beneficial owner: OEP VIII GP, L.L.C., Wilmington, USA.
3) Number of shares according to the Company's share register.
4) Beneficial owner: Christophe Albin, Verbier, Switzerland.

Remuneration of Board of Directors and Group Management

Information on the remuneration of the Board of Directors and of the Group Management is disclosed in the Remuneration Report.

Shareholdings of the Board of Directors and Group Management

	31.12.2022 Shares	31.12.2022 Option and conversion rights	31.12.2021 Shares	31.12.2021 Option and conversion rights
Daniel Frutig	1 500	611	1 500	–
Norma Corio	–	–	–	–
Andreas Dill[1]	n/a	n/a	1 000	–
Erich Haefeli[1]	n/a	n/a	–	–
Denise Koopmans[2]	–	–	n/a	n/a
Konstantin Ryzhkov	–	–	–	–
Total Board of Directors	**1 500**	**611**	**2 500**	**–**

1) Member of the Board of Directors until 12 April 2022.
2) Member of the Board of Directors from 12 April 2022.

	31.12.2022 Shares	31.12.2022 Option and conversion rights	31.12.2021 Shares	31.12.2021 Option and conversion rights
Alexander Hagemann	10 138	–	9 650	–
Marco Kechele[1]	–	–	n/a	n/a
Peter Neumann[2]	–	–	n/a	n/a
Patric Schoch[3]	n/a	n/a	9 403	–
Total Management	**10 138**	**–**	**19 053**	**–**

1) Member of the Group Management from 1 October 2022.
2) Member of the Group Management from 1 January 2022.
3) Member of the Group Management until 31 December 2021.

Shares or options on shares for members of the Board

No shares or option and conversion rights were allocated to members of the Board of Directors or to employees of the Company in 2022 or 2021.

Significant events after the balance sheet date

There were no events between 31 December 2022 and 1 March 2023 that would necessitate adjustments to the book value of the Company's assets or liabilities, or that require additional disclosure in the financial statements.

KPMG

Statutory Auditor’s Report

To the General Meeting of Cicor Technologies Ltd., Boudry

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cicor Technologies Ltd. (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements for the year ended December 31, 2022 comply with Swiss law and the Company’s articles of incorporation.

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 Financial Statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with 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

CHF 250

VALUATION OF INVESTMENT IN AXIS EMS HEIGHTS LTD.

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

VALUATION OF INVESTMENT IN AXIS EMS HEIGHTS LTD.

Key Audit Matter

The financial statements as at 31 December 2022 include the investment in Axis EMS Heights Ltd. amounting to CHF 77.2 million. The company tests the investment for impairment annually.

The impairment assessment of investments requires significant management judgment and is therefore a key area of audit focus.

Our response

During our audit, we assessed management's impairment review of the investment in Axis EMS Heights Ltd.

Amongst others, we performed the following audit procedures:

- comparing the carrying amount of the investment with management's impairment review based on a discounted cash flow model that had already been assessed during the group audit; including
- evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and agreeing forecasts used in the impairment tests to current expectations of management and the business plans approved by the Board of Directors.

For further information on Valuation of investments refer to the following:

- Note 2 - Information on Balance Sheet and Income Statement items, Investments

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 standalone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with Swiss law and SA-CH, 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, 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 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 PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 1 March 2023