Notes on the consolidated financial statements

General information
Headquartered in Dierikon, Switzerland, Komax Holding AG (parent company), together with its subsidiary companies (the Komax Group), is a pioneer and market leader in the field of automated wire processing, providing customers with innovative, future-oriented solutions in any situation that calls for precise contact connections.

The present consolidated financial statements were adopted by the Board of Directors of Komax Holding AG on 14 March 2022 and released for publication. Their approval by the Annual General Meeting, scheduled for 13 April 2022, is pending.

Accounting policies
The consolidated financial statements of the Komax Group are based on the individual financial statements of the Group companies, compiled in accordance with uniform standards, as at 31 December 2021. The consolidated financial statements have been drawn up in accordance with the entire existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). Furthermore, the provisions of Swiss company law have been complied with. The consolidated financial statements are based on the principle of historic acquisition cost (with the exception of securities and derivative financial instruments, which are recorded at their fair values), and have been drawn up under the "going concern" assumption.

The accounting and valuation principles relevant to an understanding of the annual financial statements are described in the relevant explanatory notes.

Key recognition and measurement assumptions

Preparation of the consolidated financial statements requires the Board of Directors and Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the accounting principles applied and are reflected in the amounts stated under assets, liabilities, income, expenses, and related disclosures. Their estimates and assumptions are based on past experience and on various other factors deemed applicable in the current situation. These form the basis for reporting those assets and liabilities that cannot be measured directly from other sources. The actual values may differ from these estimates. The following material estimates are included in the consolidated financial statements:

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Key events of the reporting period

As mentioned on pages 2 and 3 of the Shareholders' letter, 2021 was a year of recovery. Order intake and revenues increased sharply and were well above 2020 levels. In keeping with these higher volumes, short-time working was fully rescinded over the course of 2021. Government grants of CHF 3.9 million (2020: CHF 24.6 million), in the form of compensation for short-time working, were therefore significantly lower than in the prior-year period.

Group earnings after taxes amounted to CHF 30.4 million (2020: CHF −1.3 million) and were less impacted by the negative financial result of CHF −6.6 million (2020: CHF −8.9 million) than in the prior-year period. The tax rate for the year came to 20.5% (2020: 156.7%).

As a result of the changed market environment, the covenant for the syndicated loan facility had been adjusted for the period 30 June 2020 to 30 June 2021: For these twelve months, EBITDA was regarded as the binding financial indicator and not the debt factor as was the case previously. Since 30 June 2021, the debt factor has once again served as the binding financial indicator. The debt factor amounted to 1.63 as at 31 December 2021, and was therefore well below the maximum permitted level of 3.25.

In the second half of 2021, Komax acquired land in Dierikon together with a production and office building from the lift manufacturer Schindler. The property is located immediately adjacent to the Komax headquarters and will make it possible to bring together the Swiss activities in Dierikon in the future. Komax will sell the building at its existing production site in Rotkreuz over the course of 2022 (see note 2.3 property, plant, and equipment).

In order to streamline structures, mergers were completed in France and the United States which took effect on 1 January 2021. In France, Komax France Sàrl. and Laselec SA were merged to form the new company Komax Laselec SA. The two US subsidiaries Komax Corporation and Artos Engineering Company were amalgamated to form Komax Corporation by means of an absorption merger.

Events after the balance sheet date

On 9 February 2022, Komax announced its impending quasi-merger with the Schleuniger Group. In order to secure their long-term competitiveness and continue to consistently drive forward the automation of wire processing with cutting-edge products and solutions, Komax and Schleuniger are seeking to merge. To this end, Metall Zug AG will bring its Wire Processing division, the Schleuniger Group, into Komax Holding AG and receive a 25% stake in Komax Holding AG in return. Komax and Metall Zug have signed the corresponding agreement. The transaction will be effected through a quasi-merger. To implement this combination, Komax will propose to the Annual General Meeting of 13 April 2022 the creation of an authorized capital increase to issue 1 283 333 new shares. These will be allocated to Metall Zug AG in exchange for the shares of Schleuniger AG. Completion of the quasi-merger is subject to the approval by the Annual General Meeting and the relevant competition authorities.

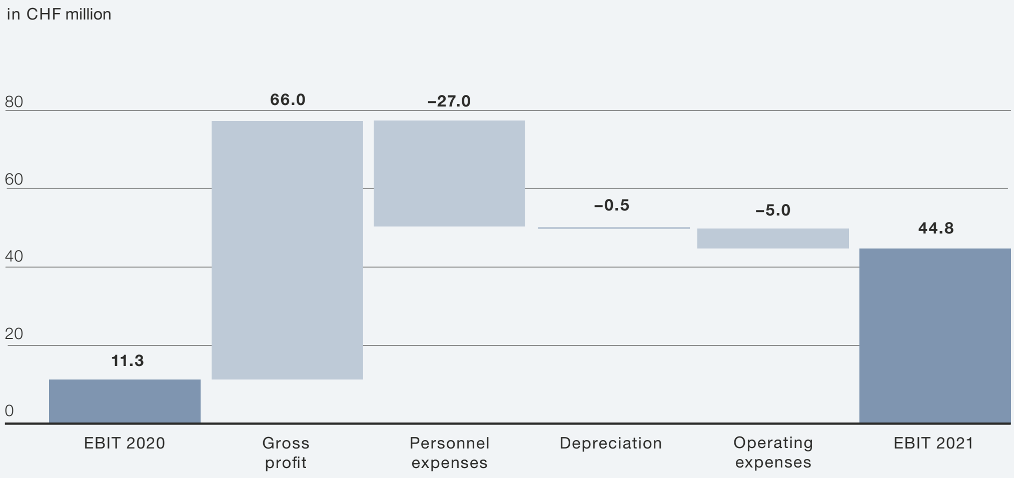
In February 2022, a further subsidiary was founded in the form of Komax Testing India Private Limited, which will commence operations in the first half of 2022. The purpose of this new company is to consistently harness the opportunities that arise in the testing business in the Indian market and provide customers with solutions more rapidly.

No other significant events occurred between the balance sheet date and the approval of the consolidated financial statements by the Board of Directors on 14 March 2022 which might adversely affect the information content of the 2021 consolidated financial statements or which would require disclosure.

1 Performance

In this section, we provide details of the 2021 result of the Komax Group. In addition to earnings per share, we also provide details on revenues, expenses, the financial result, and taxes.

The operating profit (EBIT) of the Komax Group increased from CHF 11.3 million in 2020 to CHF 44.8 million in 2021. The chart below illustrates the year-on-year change between the current reporting period and the prior year.



1.1 Segment information

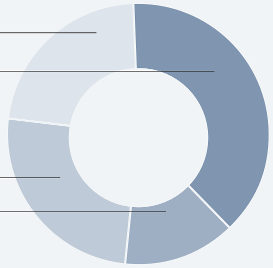
The Komax Group is a global technology company that focuses on markets in the automation sector. As a manufacturer of innovative and high-quality solutions for the wire processing industry, Komax helps its customers to implement economical and safe manufacturing processes, especially in the automotive supply sector. All Group companies are active in wire processing, have a uniform customer base, and are centrally managed. The Board of Directors and the Group Executive Committee, which make the key strategic and operating decisions, manage the Komax Group primarily on the basis of the financial statements of the individual companies, the management information system, and the consolidated financial statements. Due to the commercial similarity and interconnections of the Group companies, Komax presents its business in amalgamated form as a single segment, in accordance with Swiss GAAP FER 31.

1.2 Revenues

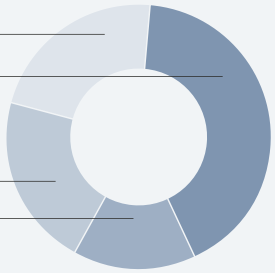
a) Revenues by region

The percentage breakdown of revenues by region is as follows:

2021



2020



b) Construction contracts

In the current reporting period, revenues of CHF 7.4 million (2020: CHF 9.6 million) were recorded from long-term construction contracts on the basis of the POC method.

c) Other operating income

in TCHF	**2021**	2020
Own work capitalized	1 799	1 524
Government grants	855	1 223
Gains from the disposal of non-current assets	356	232
Other income	2 136	2 903
Total other operating income	**5 146**	**5 882**

In the current period, revenues from the rental of operational building of CHF 0.7 million (2020: CHF 0.2 million) and revenues from the rental of personnel of CHF 0.6 million (2020: CHF 0.7 million) were recognised in other income.

Key recognition and measurement assumptions

Automated assembly and production contracts are measured according to the POC method, provided the assessment meets the requirements of Swiss GAAP FER 22 "Long-term contracts". Although projects are assessed monthly and in good faith in accordance with comprehensive project management guidelines, subsequent corrections may be required. These corrections are made in the following period and may have a positive or negative impact on revenue in this period.

Recognition and measurement

Revenue recognition: The Komax Group's consolidated income statement is compiled using the nature of expense method. Net sales comprise the fair value of considerations received or receivable for the sale of goods and services in the course of ordinary business activities after deducting VAT, returns, discounts, and price reductions, and eliminating intragroup sales. Revenues are recognized as described below. For any intermediated transactions, only the value of services provided by Komax itself is reported. Transactions with a number of individually identifiable component parts are recorded and valued separately.

Sale of goods: Revenue from the sale of goods is recognized when risk and rewards of ownership have been transferred to the buyer. All expenses connected with sales are recognized on an accrual basis.

Sale of services: Revenue from the sale of services is recognized in accordance with progress on the service according to the ratio of completed to still outstanding services to be performed during the financial year in which the services are rendered.

Manufacturing contracts: Manufacturing contracts in the automated assembly and production business units, involving the customer-specific manufacture of systems, are valued according to the percentage of completion method (POC) in accordance with Swiss GAAP FER 22. On the balance sheet, these are reported either under "Trade receivables" or "Other payables," depending on the degree to which they are underfinanced or overfinanced. The percentage of completion is calculated according to the "cost-to-cost method" (costs incurred in relation to the overall estimated costs of the contract). Anticipated project losses are recognized in full in the income statement. Any costs of debt capital are capitalized provided debt capital is raised for the purpose of financing the project and its costs can be directly attributed to a manufacturing contract.

Leases with Komax as lessor: Contractual relationships in which Komax acts as lessor are reported as financial leases if all risks and returns associated with ownership are essentially transferred to the lessee. At the beginning of the lease, lease payments are recognized in the balance sheet in the amount of the net investment value arising from the lease. Revenue is recorded in the same way as the direct sale of goods. Financial income is spread over the term of the lease.

Assets that are the subject of operating leases are reported in the balance sheet in accordance with their characteristics, and are written down at the normal rates that apply to assets of that type. Lease income is recognized in the income statement on a linear basis over the term of the lease.

Government grants: Government grants are recognized if it is likely that the payments will be received and Komax can fulfil the conditions attached to such subsidies. These are recognized in "Other operating income," regardless of when payment is received, and on a pro rata basis in the period in which the associated costs are incurred, and charged to the income statement as an expense. Grants in the form of short-time working compensation are offset against personnel expenses. Grants relating to an asset are deducted from the carrying amount.

1.3 Expenses

a) Personnel expenses

in TCHF	2021	2020
Wages and salaries	–125 703	–103 353
Share-based payments settled with equity instruments	–2 140	–944
Share-based payments settled in cash	–635	–147
Social security and pension contributions	–24 989	–22 618
Other personnel costs (in particular training and development)	–4 531	–3 961
Total personnel expenses	**–157 998**	**–131 023**

Personnel expenses include compensation from short-time working of CHF 3.9 million (2020: CHF 24.0 million). No restructuring costs are considered under personnel expenses (2020: CHF 1.5 million).

b) Other operating expenses

in TCHF	2021	2020
Expenditure on operating equipment and energy	–2 875	–2 745
Rental expenses	–2 698	–3 403
Repair and maintenance expenses	–13 710	–12 465
Third-party services for development expenses	–4 189	–4 720
Representation and marketing expenses	–6 225	–4 419
Legal and consultancy expenses	–4 602	–4 442
Shipping and packaging expenses	–7 263	–5 293
Expenditure on administration and sales	–2 600	–2 684
Insurance	–1 497	–1 708
Expenses from the liquidation of fixed assets	–1 031	–56
Other expenditure	–876	–562
Total other operating expenses	**–47 566**	**–42 497**

No restructuring costs are considered under other operating expenses (2020: CHF 0.1 million).

Leases with Komax as lessee: Only in exceptional cases does Komax act as a lessee in financial lease agreements. A financial lease arises when the lessor transfers virtually all the risks and benefits associated with ownership of the leasing object to the lessee. At the beginning of the contract term, the object in question is recorded on the balance sheet as both an investment asset and a liability at its fair value or (if lower) at the net cash value of future leasing payments. Every lease installment is broken down into financing costs on the one hand and repayment of the residual debt on the other, so that the interest rate remains constant for the residual liability. Financing costs are booked directly to the income statement as an expense. Capitalized leasing objects are depreciated over their estimated economically useful life, or (if lower) over the contractual period in question.

An operating lease agreement arises when a substantial proportion of the risks associated with ownership remain with the lessor. Payments for operating leasing agreements are booked to the income statement as an expense in a linear way for the entire duration of the agreement.

1.4 Financial result

in TCHF	2021	2020
Interest result (net)	–4 138	–4 637
Exchange rate translation differences (net)	–2 439	–4 290
Total financial result	**–6 577**	**–8 927**

Recognition and measurement

Interest: Interest income and expenses are accrued using the effective interest rate method.

1.5 Taxes
a) Income taxes

in TCHF	2021	2020
Current income taxes	–8 302	–2 595
Deferred tax income (+) / tax expenses (–)	460	–1 051
Total income taxes	**–7 842**	**–3 646**

Analysis of the tax rate

in TCHF	2021	%	2020	%
Group earnings before taxes (EBT)	38 217		2 327	
Expected tax expenses	**–6 106**	**16.0**	**–1 576**	**67.7**
Impact of non-capitalized tax-loss carry forwards	–2 209	5.8	–2 058	88.5
Utilization of non-capitalized tax-loss carry forwards	1 699	–4.5	518	–22.3
Effect of changes in tax rate	–48	0.1	17	–0.8
Tax credits / charges from prior years	–152	0.4	–268	11.5
Effect of non-deductible expenses	–386	1.0	–287	12.4
Effect of non-taxable income	340	–0.9	385	–16.5
Non-reclaimable withholding taxes	–1 097	2.9	–278	11.9
Others	117	–0.3	–99	4.3
Effective tax expenses	**–7 842**	**20.5**	**–3 646**	**156.7**

As the Group is internationally active, its income taxes are dependent on a number of different tax jurisdictions. The expected income tax rate is equivalent to the weighted average of tax rates of those countries in which the Group is active. Due to the composition of the taxable income of the Group, as well as changes in local tax rates, this Group tax rate varies from year to year.

The expected tax rate based on the ordinary result was at 16.0% (2020: 67.7%).

b) Deferred tax assets and liabilities

in TCHF	**31.12.2021**	31.12.2020
Property, plant, and equipment / intangible assets	6 093	7 118
Trade receivables and inventories[1]	3 903	2 609
Provisions	1 760	1 391
Other items	1 484	1 314
Total deferred tax assets (gross)	**13 240**	**12 432**
Offset against deferred tax liabilities	–2 251	–2 323
Balance sheet deferred tax assets	**10 989**	**10 109**
Property, plant, and equipment / intangible assets	3 832	3 480
Trade receivables and inventories	2 388	2 234
Provisions	762	713
Other items	591	475
Total deferred tax liabilities (gross)	**7 573**	**6 902**
Offset against deferred tax assets	–2 251	–2 323
Balance sheet deferred tax liabilities	**5 322**	**4 579**
Net deferred tax assets (+) / tax liabilities (–)	**5 667**	**5 530**

[1] Including unrealized intragroup profit.

The non-capitalized and unused tax-loss carry forwards expire as follows:

in TCHF	Within 5 years	After more than 5 years	**Total**
Expiry of unutilized tax-loss carry forwards			
31 December 2021	10 222	57 540	**67 762**
31 December 2020	8 982	65 383	**74 365**

This results in a deferred tax claim (not recognized in the balance sheet) for as yet unutilized tax-loss carry forwards of CHF 16.2 million (31 December 2020: CHF 18.9 million) as well as CHF 3.4 million (31 December 2020: CHF 3.3 million) in non-recognized tax credits.

Key recognition and measurement assumptions

In determining the assets and liabilities from current and deferred income taxes, estimates must be made on the basis of existing tax laws and ordinances. Numerous internal and external factors may have favorable and unfavorable effects on the assets and liabilities from income taxes. These factors include changes in tax laws and ordinances, as well as the way they are interpreted, in addition to changes in tax rates and the total amount of taxable income for the particular location. Any changes may affect the assets and liabilities from current and deferred income taxes carried in future reporting periods.

Recognition and measurement

Deferred taxes: Deferred and future tax expenses are calculated on the basis of the comprehensive liability method. This method is based on the tax rates and tax regulations applicable on the balance sheet date or which have in essence been enacted and are expected to apply at the time the deferred tax claim is realized or the deferred tax liability is settled. Deferred and future taxes are calculated on the basis of the temporary differences in value between the individual balance sheets and balance sheets for tax purposes. Such differences primarily exist in the case of non-current assets, inventories, and some provisions. Deferred tax assets are recognized in the amount corresponding to the probability that the Group companies in question will generate sufficient future taxable income to absorb the relevant positive differences in the tax assets.

Loss carry forwards: Future tax savings from offsettable tax-loss carry forwards are not capitalized. The use of these tax-loss carry forwards is recorded upon realization.

Temporary differences on investments in subsidiaries and associates: Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference cannot be determined by the Group and it is consequently probable that the temporary difference will not reverse in the foreseeable future.

1.6 Earnings per share (EPS)

in CHF	2021	2020
Group earnings (attributable to shareholders of Komax Holding AG)	**30 374 689**	**–1 319 334**
Weighted average number of outstanding shares	3 843 440	3 845 655
Basic earnings per share	**7.90**	**–0.34**
Group earnings (attributable to shareholders of Komax Holding AG)	**30 374 689**	**–1 319 334**
Weighted average number of outstanding shares	3 843 440	3 845 655
Adjustment for dilution effect of share-based compensation plans	13 858	0
Weighted average number of outstanding shares for calculating diluted earnings per share	3 857 298	3 845 655
Diluted earnings per share	**7.87**	**–0.34**

Recognition and measurement

Earnings per share: Basic earnings per share are calculated by dividing the consolidated net earnings by the average number of shares outstanding during the fiscal year, excluding treasury shares. Diluted earnings per share are calculated by adding all option rights and non-vested equity rights which would have had a dilutive effect to the average number of shares outstanding.

2 Operating assets and liabilities

In this section we describe the current and non-current operating assets and liabilities. Among other things, this includes further details on receivables, inventories, tangible assets, and intangible assets.

2.1 Current receivables

a) Trade receivables

in TCHF	**31.12.2021**	31.12.2020
Trade receivables	106 729	82 312
less provision for impairment	–267	–152
Accruals for construction contracts	5 835	12 580
less prepayments for construction contracts	–3 342	–8 426
Receivables arising from POC	**2 493**	**4 154**
Total	**108 955**	**86 314**

Overdue trade receivables that had not been written down amounted to CHF 26.2 million on 31 December 2021 (31 December 2020: CHF 22.7 million). Their maturity structure is set out in the following table:

in TCHF	Number of days					
	1–30	31–60	61–90	91–120	>120	**Total**
As at 31 December 2021	13 408	5 704	2 331	1 710	3 070	**26 223**
As at 31 December 2020	12 968	3 858	1 763	1 084	3 057	**22 730**

b) Other receivables

In addition to prepayments to suppliers of CHF 0.6 million (31 December 2020: CHF 0.6 million), other receivables mainly comprise credits due from government organizations (tax authorities) and bills receivable.

Recognition and measurement

Current receivables: Receivables are recorded at nominal value. Impaired receivables are value-adjusted on an individual basis; no flat-rate value adjustments are calculated for the remaining portfolio.

For manufacturing contracts of systems, the inventory includes all costs associated with the systems as well as the production costs. The order costs comprise all costs attributable to the contract from the date the order is received until the balance sheet date. The order proceeds per manufacturing contract are recorded as at 31 December according to the POC.

2.2 Inventories

in TCHF	31.12.2021	31.12.2020
Manufacturing components and spare parts	61 270	59 211
Semi-finished goods / work in process	21 498	13 619
Finished goods	41 363	29 841
Gross value inventories	**124 131**	**102 671**
less impairment	–12 038	–13 387
Inventories	**112 093**	**89 284**

Recognition and measurement

Inventories: Inventories are valued at the lower of acquisition/production costs and net market value. Acquisition/production costs encompass all direct and indirect expenses incurred in bringing inventories to their current location or state (full costs). Discounts are treated as acquisition price reductions. For all inventory components, the ascertainment of value is undertaken for the most part in accordance with the FIFO method. The current market price in the sales market in question is assumed when determining net market value. Movement analyses are also carried out and items that do not move over a longer period of time will be impaired.

2.3 Property, plant, and equipment

in TCHF	Undeveloped property	Land	Buildings	Machines and equipment	Other tangible fixed assets	Assets under construction	**Total property, plant, and equipment**
Costs							
As at 31 December 2019	**1 444**	**16 900**	**109 156**	**47 711**	**14 016**	**58 505**	**247 732**
Additions	0	0	18 039	4 365	607	416	23 427
Disposals	0	0	0	–652	–323	0	–975
Reclassifications	0	0	51 119	6 800	4	–57 923	0
Currency differences	0	–302	–2 069	–1 398	–458	–14	–4 241
As at 31 December 2020	**1 444**	**16 598**	**176 245**	**56 826**	**13 846**	**984**	**265 943**
Additions	0	15 216	14 937	1 497	1 562	1 642	34 854
Disposals	0	0	–188	–1 551	–1 068	0	–2 807
Reclassifications[1]	0	–4 564	–29 290	–119	2	–496	–34 467
Currency differences	0	–130	–1 646	–21	–278	–18	–2 093
As at 31 December 2021	**1 444**	**27 120**	**160 058**	**56 632**	**14 064**	**2 112**	**261 430**
Depreciation							
As at 31 December 2019	**0**	**0**	**–47 448**	**–27 635**	**–8 891**	**0**	**–83 974**
Additions	0	0	–4 666	–4 593	–1 863	0	–11 122
Disposals	0	0	0	413	303	0	716
Currency differences	0	0	360	751	306	0	1 417
As at 31 December 2020	**0**	**0**	**–51 754**	**–31 064**	**–10 145**	**0**	**–92 963**
Additions	0	0	–5 515	–4 458	–1 620	0	–11 593
Disposals	0	0	83	646	844	0	1 573
Reclassifications[1]	0	0	16 663	236	0	0	16 899
Currency differences	0	0	209	–217	164	0	156
As at 31 December 2021	**0**	**0**	**–40 314**	**–34 857**	**–10 757**	**0**	**–85 928**
Book values							
As at 31 December 2019	**1 444**	**16 900**	**61 708**	**20 076**	**5 125**	**58 505**	**163 758**
As at 31 December 2020	**1 444**	**16 598**	**124 491**	**25 762**	**3 701**	**984**	**172 980**
As at 31 December 2021	**1 444**	**27 120**	**119 744**	**21 775**	**3 307**	**2 112**	**175 502**

[1] The reclassifications relate to the building in Rotkreuz. As the building is held for sale, it was reclassified from fixed assets to current assets with a book value of CHF 17.6 million.

Key recognition and measurement assumptions

A test is performed at least once a year to determine whether there are any indications of impairment of property, plant, and equipment. If there are indications of impairment, impairment tests are carried out for the corresponding property, plant and equipment. To determine whether impairment exists, estimates are made of the expected future cash flows arising from use. Actual cash flows may differ from the discounted future cash flows based on these estimates.

Recognition and measurement

Property, plant, and equipment: Property, plant, and equipment are accounted for at historical acquisition or production cost less accumulated depreciation. Borrowing costs incurred during the construction phase through the financing of assets under construction are part of the acquisition cost if they are material. Depreciation is linear over the expected service lifetime.

Depreciation period

Asset category	Years
Machinery	7–10
Tools	7
Measuring, testing, and controlling devices	5
Operating installations	10
Warehouse installations	10–14
Vehicles	5–8
Office equipment	3–10
Information technology	3–5
Solar systems	20
Factory buildings	33
Office buildings	40
Land	no depreciation

2.4 Intangible assets

a) Movements in the intangible assets

in TCHF	Software	Patents and customer base	Software in implementation	**Total intangible assets**
Costs				
As at 31 December 2019	**33 027**	**5 316**	**2 415**	**40 758**
Additions	944	0	1 440	2 384
Disposals	–83	0	0	–83
Reclassifications	1 005	0	–1 005	0
Currency differences	–280	–116	–15	–411
As at 31 December 2020	**34 613**	**5 200**	**2 835**	**42 648**
Additions	1 120	0	2 088	3 208
Disposals	–582	0	0	–582
Reclassifications	1 302	0	–1 302	0
Currency differences	–265	39	–47	–273
As at 31 December 2021	**36 188**	**5 239**	**3 574**	**45 001**
Depreciation				
As at 31 December 2019	**–19 721**	**–4 316**	**0**	**–24 037**
Additions	–3 721	–243	0	–3 964
Disposals	48	0	0	48
Currency differences	199	42	0	241
As at 31 December 2020	**–23 195**	**–4 517**	**0**	**–27 712**
Additions	–3 724	–232	0	–3 956
Disposals	410	0	0	410
Currency differences	164	–16	0	148
As at 31 December 2021	**–26 345**	**–4 765**	**0**	**–31 110**
Book values				
As at 31 December 2019	**13 306**	**1 000**	**2 415**	**16 721**
As at 31 December 2020	**11 418**	**683**	**2 835**	**14 936**
As at 31 December 2021	**9 843**	**474**	**3 574**	**13 891**

b) Goodwill

Goodwill is offset against Group shareholders' equity upon the acquisition of a subsidiary or the interest in an associated company. Assuming a useful life of five years for trading companies acquired and ten years for production operations acquired plus depreciation on a straight-line basis, the theoretical capitalization of goodwill would have the following impact on the consolidated balance sheet:

in TCHF	2021	2020
Historical costs as at 1 January	**89 067**	**90 423**
Additions	0	0
Currency differences	–28	–1 356
Historical costs as at 31 December	**89 039**	**89 067**
Theoretical accumulated depreciation as at 1 January	**–48 879**	**–40 157**
Theoretical depreciation	–7 399	–9 284
Currency differences	–161	562
Theoretical accumulated depreciation as at 31 December	**–56 439**	**–48 879**
Theoretical net book value as at 31 December	**32 600**	**40 188**

The capitalization and depreciation of goodwill would have the following theoretical impacts on shareholders' equity and Group earnings after taxes:

in TCHF	31.12.2021	31.12.2020
Shareholders' equity according to balance sheet	264 904	236 486
Theoretical capitalization of net book value of goodwill	32 600	40 188
Theoretical tax impacts	827	754
Theoretical shareholders' equity	**298 331**	**277 428**

in TCHF	2021	2020
Group earnings after taxes (EAT) according to income statement	30 375	–1 319
Theoretical goodwill depreciation	–7 399	–9 284
Theoretical tax impacts	47	48
Theoretical Group earnings after taxes (EAT)	**23 023**	**–10 555**

Key recognition and measurement assumptions

Intangible assets and goodwill are tested for impairment if indicators reflect a possible impairment. To determine whether impairment exists, estimates are made of the expected future cash flows arising from use. Actual cash flows may differ from the discounted future cash flows based on these estimates.

Recognition and measurement

Software: Purchased software licenses are capitalized at acquisition or production cost plus costs incurred in readying them for use. The total acquisition cost is amortized on a linear basis over three to eight years. Costs associated with the development or maintenance of software are recorded as expenses at the time they are incurred.

Patents: Patents are recognized at historical acquisition cost less cumulative amortization. Acquisition costs are written down in a linear way over patent life.

Customer base: Customer bases are recognized at historical acquisition cost less cumulative amortization. Acquisition costs are written down in a linear way over five to ten years.

Research and development: Research and development expenditure is fully charged to the income statement. These costs are contained in the positions “Personnel expenses” and “Other operating expenses”.

Goodwill: Companies acquired over the course of the year are revalued and consolidated at the point of acquisition in keeping with standardized Group principles. The difference between the acquisition cost (including material transaction costs) and the prorated fair value of the net assets acquired is described as goodwill. Any potentially existing but not previously capitalized intangible assets taken over as part of the acquisition – such as brands, technology, rights of use, or customer lists – are not separately recognized, but remain subsumed under goodwill. Goodwill can also arise from investments in associated companies, whereby this amounts to the difference between the acquisition cost of the investment and the prorated fair value of the net assets acquired. The goodwill resulting from acquisitions is directly offset against Group shareholders’ equity. If the purchase price contains components that are dependent on future results, these components are estimated as accurately as possible at the point of acquisition and then capitalized. In the event of deviations when the purchase price is definitively settled at a later date, the goodwill offset against shareholders’ equity is adjusted accordingly. In case of disposal, acquired goodwill offset with equity at an earlier date is to be considered at original cost to determine the profit or loss recognized in the income statement.

2.5 Other non-current receivables

As at 31 December 2021 and as at 31 December 2020, other non-current receivables include mainly paid rent deposits and capitalized financing costs.

2.6 Other liabilities
a) Other payables

in TCHF	31.12.2021	31.12.2020
Prepayments by customers	23 162	15 332
Contingent consideration	0	890
Current income tax liabilities	5 643	2 681
Prepayments for construction contracts	10 140	6 200
Less accruals for construction contracts	–9 050	–6 091
Liabilities arising from POC	**1 090**	**109**
Other positions[1]	13 399	12 878
Total other payables	**43 294**	**31 890**

[1] Includes, among other things, accruals for sales commissions not yet invoiced to agents.

Key recognition and measurement assumptions

For the determination of the fair value of a contingent consideration, profit and revenue forecasts and the current exchange rates are used that might result in a higher or lower fair value measurement. In addition, the continued employment of certain selling shareholders was assumed.

b) Current provisions

in TCHF	2021	2020
Total as at 1 January	**2 705**	**3 263**
Additional provisions	2 250	1 930
Amounts utilized during the year	–1 322	–1 323
Unused amounts reversed	–894	–1 102
Currency differences	–82	–63
Total as at 31 December	**2 657**	**2 705**

Current provisions are warranty provisions that include material and personnel costs in relation to warranty work.

Key recognition and measurement assumptions

In relation to machines and systems already delivered, Komax calculates the necessary warranty provisions on the balance sheet date on the basis of analyses and estimates. The actual costs may differ from the provisions stated. Any differences may affect the provision carried for warranty events in future reporting periods and therefore the reported result for the period.

Recognition and measurement

Provisions: Provisions are formed if the Group has a current legal or constructive obligation arising from an event in the past, if it appears probable that the asset base will be negatively impacted by settlement of the obligation, and if the amount of the provision can be reliably determined. Provisions for warranties are based on past payments, revenues in prior years, and current contracts. Komax normally gives a one-year warranty on machines and systems.

3 Capital and financial risk management

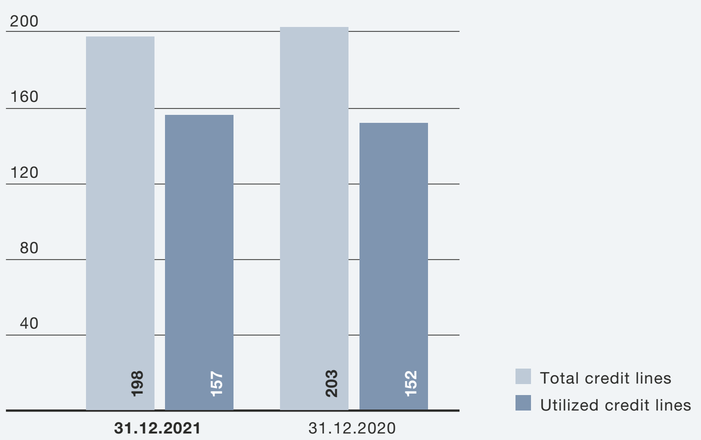
In addition to details on shareholders' equity, details are also provided on financial risk management at the Komax Group.

3.1 Financial liabilities

in TCHF	Currency	**31.12.2021**	31.12.2020
Bank liabilities	CHF	125 000	116 500
Bank liabilities	EUR	19 475	23 325
Bank liabilities	USD	4 600	4 450
Total financial liabilities		**149 075**	**144 275**

Komax Holding AG finalized an agreement with a bank syndicate for a credit line amounting to CHF 190.0 million (31 December 2020: CHF 190.0 million), of which CHF 3.0 million has been amortized by the end of 2021 (2020: CHF 1.5 million). Additionally, there are further local credit lines for subsidiaries available amounting to CHF 11.1 million (31 December 2020: CHF 14.7 million). The maximum available local credit line is CHF 30.0 million (31 December 2020: CHF 30.0 million). As at 31 December 2021 the Group has drawn on this credit limit to the amount of CHF 156.8 million (31 December 2020: CHF 151.8 million).

Credit lines Komax Group
in CHF million



The maturities of the financial liabilities (without interest) are as follows:

in TCHF	less than 1 year	1–5 years	over 5 years	Total
As at 31 December 2021	7 698	140 549	828	**149 075**
As at 31 December 2020	8 012	135 477	786	**144 275**

Of the financial liabilities of CHF 149.1 million as at 31 December 2021 (31 December 2020: CHF 144.3 million), CHF 138.0 million (31 December 2020: CHF 131.9 million) relate to the syndicated loan with a term until 31 January 2023. The interest rates for the syndicated loan as at 31 December 2021 are 1.05% (loan-to-value: CHF 111.0 million) and 0.85% (loan-to-value: CHF 27.0 million). As at 31 December 2020, the interest rates were 4.5% (loan-to-value: CHF 103.4 million) and 3.4% (loan-to-value: CHF 28.5 million).

Recognition and measurement

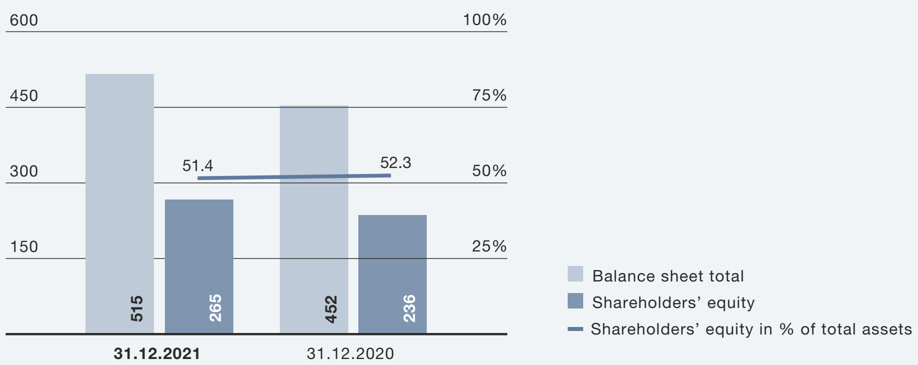
Financial liabilities: Financial liabilities comprising bank loans, mortgages, and bonds are valued at amortized cost. Financial liabilities are recorded as current liabilities in the balance sheet unless the Group has the unconditional right to defer settlement of the liability to a point in time at least twelve months after the relevant balance sheet date.

3.2 Shareholders' equity

This section shows the change in shareholders' equity compared to the prior year.

Shareholders' equity

in CHF million



a) Share capital

Balance sheet date	Number of shares	Par value in CHF	Par value in CHF
31 December 2021	**3 850 000**	**0.10**	**385 000**
31 December 2020	3 850 000	0.10	385 000
31 December 2019	3 850 000	0.10	385 000

All registered shares are fully paid up.

b) Treasury shares

	2021			2020		
	Number	**Average price in CHF**	**Purchase costs (avg.) in TCHF**	Number	Average price in CHF	Purchase costs (avg.) in TCHF
Total as at 1 January	**5 933**	**186.47**	**1 106**	**7 121**	**232.55**	**1 656**
Purchases	6 500	230.54	1 499	3 500	154.44	540
Transfer (share-based compensation)	–3 780	189.68	–717	–4 688	232.55	–1 090
Total as at 31 December	**8 653**	**218.17**	**1 888**	**5 933**	**186.47**	**1 106**

Both at the end of the reporting year and at the end of the prior-year period, all treasury shares were envisaged for share-based compensation programs. All treasury shares are held by Komax Holding AG. Neither the other Group companies nor the staff pension scheme of Komax AG hold any shares of Komax Holding AG.

c) Conditional capital
There was no conditional capital either as at 31 December 2021 nor as at 31 December 2020.

d) Reserves
The non-distributable reserves amounted to CHF 5.5 million as at 31 December 2021 (31 December 2020: CHF 5.0 million).

Recognition and measurement

Treasury shares: Treasury shares are recognized at the average weighted cost of acquisition, including the transaction costs assignable to them, and are then offset against shareholders' equity. When treasury shares are sold or issued, the consideration received is credited to shareholders' equity.

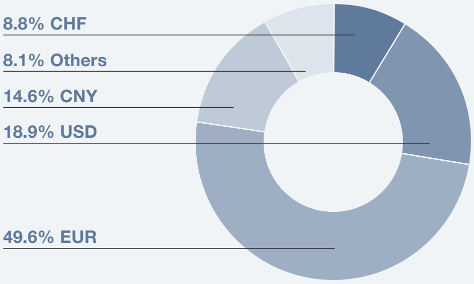
Issuance of shares: Costs that are directly assignable to the issuance of new shares are recognized in shareholders' equity in net form as a deduction from the issue proceeds.

Preferred shares: No preferred shares have been issued to date.

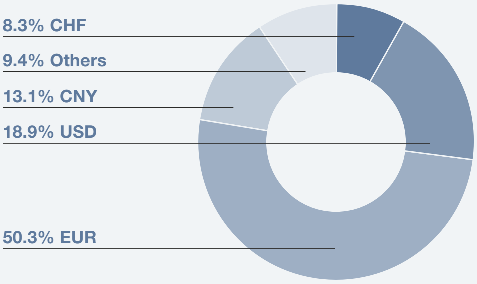
3.3 Financial risk management
The Komax Group is exposed to various financial risks, for example currency, credit, liquidity, and interest rate risks, through its business activities. The Group's overall risk management strategy is focused on the unpredictability of developments in the financial markets and is intended to minimize the potential negative impact on the Group's financial position. The Group uses derivative financial instruments to protect itself against interest rate, currency, and credit risks. Risk management is conducted by the finance department of Komax Holding AG in conformity with the guidelines issued by the Board of Directors. These guidelines set out procedures for the use of derivatives as well as for dealing with foreign currency, interest rate, and credit risks. The guidelines are binding for all subsidiaries of the Komax Group.

a) Currency risk
The Komax Group operates internationally and is therefore exposed to a variety of foreign exchange risks. Foreign currency risks arise from future cash flows, assets, and liabilities recognized in the balance sheet, and investment in foreign companies. Komax Group generates its revenues in the following currencies:

2021



2020



The most important year-end and average exchange rates were as follows:

Currency	**Year-end rate 31.12.2021**	**Average rate 2021**	Year-end rate 31.12.2020	Average rate 2020
USD	0.920	0.920	0.890	0.960
EUR	1.050	1.100	1.090	1.080
CNY	0.145	0.142	0.136	0.138

Komax is mainly exposed to currency risks relating to the USD, the EUR, and the CNY. Assuming that the average rates against the CHF had been 10% lower or higher and that all other parameters remained largely unchanged, the EBIT margin would have been changed as follows:

	Change EBIT margin 2021	Change EBIT margin 2020
USD/CHF average rate +/– 10%	+/– 0.8%-pt.	+/– 0.8%-pt.
EUR/CHF average rate +/– 10%	+/– 1.2%-pt.	+/– 1.1%-pt.
CNY/CHF average rate +/– 10%	+/– 0.9%-pt.	+/– 0.6%-pt.

b) Credit risk

Credit risks may exist with regard to bank account balances, derivative financial instruments, and receivables from customers. Komax regularly reviews the independent ratings of financial institutions. Moreover, all risks pertaining to cash and cash equivalents are further minimized by using a variety of banks rather than one single bank.

c) Capital risk

In the management of its capital, the Komax Group pays special attention to ensuring that the Group is able to continue to operate, that shareholders receive an appropriate return for their risks, and that financial ratios are optimized, taking the cost of capital into account. To achieve these targets, Komax may adjust its dividend payment, issue new shares, or sell assets in order to scale back its debt.

d) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient reserves of cash and cash equivalents and liquid securities as well as financing capacity through an adequate volume of approved lines of credit. The amount of cash required for operations is reviewed annually and monitored on a monthly basis by the finance department. Given the business environment in which Komax operates, it is also essential for the Group to maintain the necessary financing flexibility by maintaining sufficient unused lines of credit.

e) Interest rate risk

Neither at 31 December 2021 nor at the prior year’s balance sheet date did the Komax Group possess any assets that were subject to any material rate of interest. The Group’s financial risk policy is to finance long-term investments with long-term liabilities, which gives rise to an interest rate risk. If there is a significant interest rate risk, the related cash flow risks are hedged through interest rate swaps.

4 Group structure

This section contains details on the scope of consolidation, including any changes (acquisitions, business areas to be discontinued). The list of investments additionally contains all directly and indirectly held investments as at 31 December 2021.

4.1 Scope of consolidation

The consolidated financial statements incorporate the individual financial statements of Komax Holding AG, Switzerland, and its subsidiaries.

There were no changes in the scope of consolidation during the reporting period. The prior-year period saw the foundation of a subsidiary, Testing Solutions Maroc Sàrl., which commenced operations in the fourth quarter of 2020.

Recognition and measurement

Subsidiaries: Subsidiaries are fully consolidated if Komax Holding AG exercises control over their financial and business policies. As a rule, this is the case if Komax Holding AG directly or indirectly holds more than 50% of the subsidiary's voting capital.

Date of consolidation: Subsidiaries are included in the consolidated financial statements from the date on which the Group assumes control. They are deconsolidated from the date on which control is ceded.

Intragroup eliminations: Intragroup transactions, intragroup balances, and unrealized gains or losses from transactions between Group companies are eliminated from the scope of consolidation.

4.2 Business combinations

There were no acquisitions in the reporting period nor in the previous year period.

4.3 Investments in associates

As at 31 December 2021 and 31 December 2020, Komax held no investments in associated companies.

Recognition and measurement

Investments in associates: Companies in which the Komax Group holds at least 20% of voting rights but in which it has a stake of less than 50% or on which it exerts a key influence in other ways are recognized by the equity method, and initially recorded at the corresponding acquisition cost.

4.4 Equity holdings

Direct and indirect equity participation of Komax Holding AG as at 31 December 2021

Company	Place
Switzerland	
Komax Management AG	Dierikon, Switzerland
Komax AG	Dierikon, Switzerland
Europe	
Artos Engineering France S.à.r.l.	Treillières, France
Exmore NV	Beerse, Belgium
Kabatec GmbH & Co. KG	Burghaun, Germany
TSK Test Systems Bulgaria Ltd.	Yambol, Bulgaria
Komax Consult Deutschland GmbH	Nuremberg, Germany
Komax Kabelverarbeitungs-Systeme Deutschland GmbH	Nuremberg, Germany
Komax Kabatec Verwaltungs GmbH	Burghaun, Germany
Komax Laselec France SA	Toulouse, France
Komax Portuguesa S.A.	Alcabideche, Portugal
Komax SLE GmbH & Co. KG	Grafenau, Germany
Komax SLE Verwaltungs GmbH	Grafenau, Germany
Komax Thonauer Kft.	Budakeszi, Hungary
SC Thonauer Automatic s.r.l.	Bucharest, Romania
Thonauer Gesellschaft m.b.H.	Vienna, Austria
Thonauer spol. s.r.o.	Brno, Czech Republic
Thonauer s.r.o.	Bratislava, Slovakia
TSK Beteiligungs GmbH	Porta Westfalica, Germany
TSK Prüfsysteme GmbH	Porta Westfalica, Germany
TSK Test Sistemleri San. Ltd. Şti.	Ergene/Tekirdağ, Turkey
TSK Test Systems SRL	Bistrita, Romania
Africa	
Komax Maroc Sàrl.	Mohammédia, Morocco
Komax TSK Maroc Sàrl.	Tangier, Morocco
Testing Solutions Maroc Sàrl	Tangier, Morocco
TSK Tunisia s.a.l.	Tunis, Tunisia
North/South America	
Komax Comercial do Brasil Ltda.	São Paulo, Brazil
Komax Corporation	Buffalo Grove, Illinois, USA
Komax de México S. de R.L. de C.V.	Irapuato, Mexico
Komax Holding Corporation	Buffalo Grove, Illinois, USA
Komax York Inc.	Buffalo Grove, Illinois, USA
Laselec Inc.	Grand Prairie, Texas, USA
TSK Sistemas de Testes do Brasil Ltda.	Colombo, Brazil
TSK Test Systems Mexico, S. de R.L. de C.V.	Irapuato, Mexico
TSK Innovations Co.	El Paso, Texas, USA
Asia	
Komax Automation India Pvt. Ltd.	Gurgaon, India
Komax Distribution (Thailand) Co., Ltd.	Bangkok, Thailand
Komax Japan K.K.	Tokyo, Japan
Komax Shanghai Co. Ltd.	Shanghai, China
Komax Singapore Pte. Ltd.	Singapore

Purpose	Participation	Consolidation	Ordinary capital	
Group services and management	100%	Full consolidation	CHF	100 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	CHF	5 000 000
Sales	100%	Full consolidation	EUR	182 939
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR	60 760
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR	100 000
Engineering, production, marketing, sales	100%	Full consolidation	BGN	600 000
Regional services	100%	Full consolidation	EUR	30 000
Sales	100%	Full consolidation	EUR	400 000
Administration	100%	Full consolidation	EUR	25 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR	1 057 280
Sales	100%	Full consolidation	EUR	750 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR	5 700 000
Administration	100%	Full consolidation	EUR	25 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	HUF	10 000 000
Sales	100%	Full consolidation	RON	2 200 000
Sales	100%	Full consolidation	EUR	36 336
Sales	100%	Full consolidation	CZK	200 000
Sales	100%	Full consolidation	EUR	6 639
Holding of equity interests	100%	Full consolidation	EUR	4 000 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR	1 764 700
Engineering, production, marketing, sales	100%	Full consolidation	TRY	14 950 000
Sales	100%	Full consolidation	RON	110 152
Sales	100%	Full consolidation	MAD	10 000 000
Engineering, production, marketing, sales	100%	Full consolidation	EUR	300 000
Engineering, production, marketing, sales	100%	Full consolidation	MAD	2 100 000
Engineering, production, marketing, sales	100%	Full consolidation	TND	366 000
Sales	100%	Full consolidation	BRL	200 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	USD	1 000 000
Sales	100%	Full consolidation	MXN	3 000
Holding of equity interests	100%	Full consolidation	USD	8 160 000
Administration	100%	Full consolidation	USD	150
Sales	100%	Full consolidation	USD	1
Engineering, production, marketing, sales	100%	Full consolidation	BRL	362 500
Production	100%	Full consolidation	MXN	3 000
Sales	100%	Full consolidation	USD	1 000 000
Sales	100%	Full consolidation	INR	10 000 000
Sales	100%	Full consolidation	THB	42 300 000
R&D, production, marketing, sales	100%	Full consolidation	JPY	90 000 000
R&D, production, sales	100%	Full consolidation	USD	12 210 000
R&D, production, sales	100%	Full consolidation	SGD	8 600 000

5 Other information

This section contains all the information not addressed in the previous sections, e.g., information on employee benefits and share-based compensation.

5.1 Employee benefits

in TCHF	2021	2021	2020
	Surplus cover as per FER 26	**Economic share within the Group**	Economic share within the Group
Pension plans with surplus cover	11 159	0	0
Total	**11 159**	**0**	**0**

in TCHF	2021	2021	2021	2020
	Change compared to prior year / expense of reporting period	Contributions accrued for the period	**Employee benefits expenditure in personnel expenses**	Employee benefits expenditure in personnel expenses
Pension plans with surplus cover	0	4 844	4 844	5 016
Total	**0**	**4 844**	**4 844**	**5 016**

The employee benefits expenditure stated only comprises contributions made to the benefit schemes at the expense of the company.

The pension plans with surplus cover are related to the staff pension scheme of Komax AG in Switzerland. The coverage rate amounted to 120.9% as at 31 December 2021 (31 December 2020: 113.4%). The actuarial calculations are based on a technical interest rate of 1.75% (31 December 2020: 1.75%) as well as the technical basis of BVG 2020 (31 December 2020: BVG 2015).

There were no material employer contribution reserves as at 31 December 2021 or as at 31 December 2020.

Recognition and measurement

Employee benefits: The key companies are based in Switzerland, where employee benefits are amalgamated in a legally independent foundation regulated by the Federal Law on Old-Age, Survivors' and Disability Insurance (BVG). No significant pension plans are managed abroad. The ascertainment of any surplus or shortfall in respect of Swiss pension plans is undertaken on the basis of the annual financial statements of the corresponding pension schemes in accordance with Swiss GAAP FER 26. Any benefit arising from employer contribution reserves is recognized as an asset. The capitalization of an additional economic benefit (as a result of a pension scheme having surplus cover) is not intended, nor are the prerequisites for such a step met. An economic obligation is carried as a liability if the prerequisites for the creation of a provision are met.

5.2 Share-based compensation

The Komax Group has the following share-based compensation agreements:

a) Komax Performance Share Unit Plan (PSU)

The plan (equity-settled plan) for the executive management comprises PSUs with a three-year vesting period which are dependent on the attainment of a performance target and the continuation of the employment relationship. The number of PSUs allocated is calculated by dividing a fixed amount by the average closing share price during the 60 days preceding the start of the vesting period. The actual payout at the end of the vesting period is made in shares compared to the target figure determined in advance by the Board of Directors. Up to and including the PSU program 2020, the allocation of the number of shares depended on the average RONCE. From the PSU program 2021 onwards, the allocation of the number of shares depends on equally one third of revenue growth, EBIT margin, and TSR (total shareholder return) compared with a peer group. The payout multiplier may range from 0% to 150%. The actual value of the allocation at the end of the vesting period is therefore dependent on the payout multiplier and the development of the share price over the course of the vesting period. In the event of any termination of the employment relationship, pro rata vesting applies at the ordinary vesting date.

Terms of outstanding rights as at 31 December 2021

		2019–2021	2020–2022	2021–2023
Number of outstanding rights		1 291	6 029	7 003
Vesting period		3 years	3 years	3 years
Allocation		2022	2023	2024
Fair value on the day of granting	CHF	265.51	219.65	171.21
Total fair value at allocation	**TCHF**	**343**	**1 324**	**1 199**

b) Komax Long-term Share Incentive Plan

The plan (equity-settled plan) for managers is currently not linked to profitability conditions, and contains a three-year vesting period. The number of shares allocated is calculated by dividing a fixed amount by the average closing share price during the 60 days preceding the start of the vesting period. The actual payout at the end of the vesting period takes the form of shares. In the event of any termination of the employment relationship, pro rata vesting applies at the ordinary vesting date.

Number of rights	2021	2020
Total as at 1 January	**5 951**	**6 090**
Granted on 1 January	2 590	2 460
Forfeited	–89	–104
Transferred to participants	–1 646	–2 495
Total as at 31 December	**6 806**	**5 951**

The fair value on the day of granting amounted to CHF 171.21 (2020: CHF 219.65).

c) Komax Long-term Cash Incentive Plan

The plan (cash-settled plan) for managers is currently not linked to profitability conditions, and contains a three-year vesting period. The actual payout at the end of the vesting period is determined at the end of the performance period, and is based on a multiplication of the allocation amount by the share price performance factor (ratio of final share price to starting share price).

Number of rights	2021	2020
Total as at 1 January	**4 172**	**3 602**
Granted on 1 January	2 077	1 777
Forfeited	0	–108
Transferred to participants	– 1 201	–1 099
Total as at 31 December	**5 048**	**4 172**

The fair value on the day of granting amounted to CHF 171.21 (2020: CHF 219.65).

d) Komax Restricted Share Plan

Restricted shares are allocated to Board members at the end of their period of office shortly before the Annual General Meeting (equity-settled plan); the lock-in period is three years. In the event of resignation from office as a result of retirement, death, or disability, the entitlement to restricted shares is calculated on a pro rata temporis basis. In such cases, lock-in periods may be either continued or rescinded at the discretion of the Board of Directors. In the 2021 financial year, 797 shares (2020: 1 088 shares) with a fair value of CHF 255.40 (2020: CHF 141.60) on the date of granting were allocated to the Board of Directors.

Recognition and measurement

Share-based compensation: All share-based compensation granted to staff is estimated at fair value as per the date it is granted, and is charged evenly across the vesting period to the corresponding income statement positions within the operating result. In the case of compensation plans involving remuneration in the form of equity instruments, the expense of the granted compensation is booked as an increase in shareholders' equity, and any funds received from the exercise of this compensation following the vesting period are booked as a change in shareholders' equity. The fair value of the amount that is to be paid to employees in respect of share appreciation rights and settled in the form of cash is booked as an expense with a corresponding increase in debt over the period in which employees acquire unrestricted access to these payments.

5.3 Related party transactions

Transactions with related companies

in TCHF	**2021**	2020
Sale of goods and services	0	0
Interest income	0	61
Other receivables (current and non-current) as at 31 December	0	0

Related party transactions include members of the Board of Directors, members of the Executive Committee, pension funds, and key shareholders, as well as companies controlled by the same. In the year under review, no transactions were entered into with closely linked persons in connection with the sale and purchase of goods and services (2020: none).

5.4 Off-balance-sheet transactions

a) Contingent liabilities

As at 31 December 2021 there was no contingent liability (31 December 2020: CHF 0.6 million).

As at 31 December 2021 there were no performance guarantees (31 December 2020: CHF 0.1 million). Other guarantees of CHF 6.7 million were granted as at 31 December 2021 (31 December 2020: CHF 6.6 million); these almost exclusively comprise guarantees granted to customers for advance payments.

b) Ownership restrictions for own liabilities

in TCHF	**31.12.2021**	31.12.2020
Book value real estate	76 022	77 835
Lien on real estate	37 140	37 344
Utilization	30 597	33 770

The pledged assets will be used to secure own liabilities.

c) Contractual obligations

As at 31 December 2021 and as at 31 December 2020, no contractual obligations existed with respect to the acquisition of property, plant, and equipment. Future liabilities arising from operating lease agreements amount to CHF 1.8 million due in 2022 and CHF 2.8 million due in 2023–2026 (31 December 2020: CHF 1.8 million due in 2021 and CHF 2.1 million due in 2022–2025).

5.5 Other key accounting principles

a) Key figures not defined under Swiss GAAP FER

By stating its free cash flow in the cash flow statement, the Komax Group is reporting an item that is not in conformity with Swiss GAAP FER but is nonetheless a key figure for Komax, as well as being widely used and recognized in the financial sector. This key figure is an amalgamation of cash flow from operating activities and cash flow from investing activities. In the income statement, Komax discloses the revenues as an additional subtotal that is not defined under Swiss GAAP FER. This subtotal includes other operating income in addition to net sales and is used for the calculation of important key figures. As gross profit is an important key figure for Komax, the corresponding interim total is reported separately in the income statement. Gross profit comprises revenues (net sales and other operating income) minus the cost of materials and changes in inventory of unfinished and finished products.

b) Currency conversion

Recognition and measurement

Functional currency and reporting currency: Items included in the financial statements of each entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in CHF, which is the functional currency of the parent company, Komax Holding AG.

Transactions and balances: Foreign currency transactions are translated into the functional currency at the rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Group companies: The earnings and balance sheet figures of foreign business units with a functional currency other than the Swiss franc are translated to Swiss francs as follows:
a) Assets and liabilities are translated at the exchange rate on the balance sheet date for each such date.
b) Revenues and expenses are translated at the weighted average exchange rate for each income statement.
c) All exchange rate gains and losses are recognized in shareholders' equity and reported on a separate line within retained earnings.
Exchange rate differences arising from the translation of net investments in foreign business units are recognized under comprehensive income. When a foreign company is sold, these exchange rate differences are reported in income as part of the gain or loss from the sale.

c) Other important accounting policies

Recognition and measurement

Cash and cash equivalents: Cash and cash equivalents include banknotes, sight deposits, and other current, highly liquid financial assets with an original maturity of no greater than three months. Utilized current account overdrafts are shown on the balance sheet as payables to credit institutions under current financial liabilities.

Trade payables: Trade payables are valued initially at fair value, which is normally the amount originally invoiced, and subsequently measured at amortized cost.

Non-operating properties: Investment property encompasses land and buildings held with a view to generating rental income or for purposes of capital appreciation, and not for internal production purposes, the delivery of goods, or the provision of services, administrative purposes, or sales in the context of ordinary business activity. Investment property is valued at acquisition or construction cost less cumulative depreciation.

Transactions with minorities: Changes in ownership interests in subsidiaries are recognized as equity capital transactions provided control remains intact.

Impairment of non-monetary assets: Assets subject to planned amortization are also tested for impairment if events or changes in circumstances create a presumption that the carrying value can potentially no longer be realized. An impairment is recorded in the amount by which the asset's carrying value exceeds its realizable value. The realizable value is the greater of the asset's fair value less disposal costs and its use value. In determining impairments, assets are grouped according to the smallest separately identifiable cash-generating units.