medmix Dental: 1-component system 5mL cartridge

Financial reporting

Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2022	2021
Revenue	3, 17	477.1	457.3
Cost of goods sold		–301.7	–276.1
Gross profit		**175.4**	**181.2**
Selling and administrative expenses		–103.0	–95.6
Research and development expenses		–23.6	–23.0
Other operating income / (expenses), net	9	–29.3	–2.7
Operating income (EBIT)		**19.6**	**59.9**
Interest and securities income	10	0.7	0.0
Interest expenses	10	–6.5	–8.1
Other financial income / (expenses), net	10	–1.6	–0.5
Income before income tax expenses		**12.2**	**51.3**
Income tax expenses	11	–0.6	–7.3
Net income		**11.6**	**44.0**
Earnings per share (in CHF)			
Basic earnings per share	22	0.28	1.07
Diluted earnings per share	22	0.28	1.07

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2022	2021
Net income		**11.6**	**44.0**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	26	1.2	–0.6
Currency translation differences		–11.9	0.1
Total items that may be reclassified subsequently to the income statement		**–10.7**	**–0.5**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit plans, net of tax	8	–4.7	12.9
Total items that will not be reclassified to the income statement		**–4.7**	**12.9**
Total other comprehensive income		**–15.4**	**12.4**
Total comprehensive income for the period		**–3.9**	**56.4**

Consolidated balance sheet

December 31

millions of CHF	Notes	2022	2021
Non-current assets			
Goodwill	12	254.4	258.0
Other intangible assets	12	120.4	135.9
Property, plant and equipment	13	157.6	163.3
Lease assets	14	72.1	66.2
Non-current financial assets	15	6.5	0.1
Defined benefit assets	8	–	6.9
Non-current receivables		0.1	0.0
Deferred income tax assets	11	5.8	4.2
Total non-current assets		**617.0**	**634.7**
Current assets			
Inventory	16	91.8	79.2
Current income tax receivables		0.0	0.0
Advance payments to suppliers		4.0	5.5
Contract assets	17	1.0	–
Trade accounts receivable	18	59.6	28.5
Other current receivables and prepaid expenses	19	15.8	16.6
Current financial assets		3.3	0.2
Cash and cash equivalents	20	313.5	209.8
Total current assets		**489.0**	**339.7**
Total assets		**1'105.9**	**974.4**
Equity			
Share capital	21	0.4	0.4
Reserves		504.4	533.5
Equity attributable to shareholders of medmix Ltd	21	**504.8**	**533.9**
Total equity	21	**504.8**	**533.9**
Non-current liabilities			
Non-current borrowings	23	246.9	238.9
Non-current lease liabilities	14	62.5	57.8
Deferred income tax liabilities	11	16.1	19.6
Non-current income tax liabilities	11	–	1.7
Defined benefit obligations	8	1.0	1.5
Non-current provisions	24	3.6	3.5
Other non-current liabilities		–	0.0
Total non-current liabilities		**330.0**	**323.1**
Current liabilities			
Current borrowings	23	155.1	16.3
Current lease liabilities	14	9.0	7.9
Current income tax liabilities	11	4.7	8.9
Current provisions	24	5.7	7.2
Contract liabilities	17	3.9	4.3
Trade accounts payable		47.4	41.1
Other current and accrued liabilities	25	45.2	31.7
Total current liabilities		**271.1**	**117.4**
Total liabilities		**601.1**	**440.5**
Total equity and liabilities		**1'105.9**	**974.4**

Consolidated statement of changes in equity

January 1 – December 31

		Attributable to shareholders of medmix Ltd					
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	Total equity
Equity as of January 1, 2021		**–**	**345.7**	**–**	**–**	**–12.3**	**333.4**
Comprehensive income for the period:							
Net income			44.0				44.0
– Cash flow hedges, net of tax	26	–	–	–	–0.6	–	–0.6
– Remeasurements of defined benefit plans, net of tax	8	–	12.9	–	–	–	12.9
– Currency translation differences		–	–	–	–	0.1	0.1
Other comprehensive income		–	12.9	–	–0.6	0.1	12.4
Total comprehensive income for the period		**–**	**56.9**	**–**	**–0.6**	**0.1**	**56.4**
Transactions with owners of the company:							
Contribution to the Sulzer group	21	0.3	–104.5	–	–	–	–104.1
Capital increase		0.1	294.7	–	–	–	294.7
Purchase of treasury shares	21	–	–	–6.5	–	–	–6.5
Share-based payments	28	–	1.1	–	–	–	1.1
Dividends	21	–	–41.3	–	–	–	–41.3
Equity as of December 31, 2021	21	**0.4**	**552.8**	**–6.5**	**–0.6**	**–12.2**	**533.9**
Equity as of January 1, 2022		**0.4**	**552.8**	**–6.5**	**–0.6**	**–12.2**	**533.9**
Comprehensive income for the period:							
Net income			11.6				11.6
– Cash flow hedges, net of tax	26	–	–	–	1.2	–	1.2
– Remeasurements of defined benefit plans, net of tax	8	–	–4.7	–	–	–	–4.7
– Currency translation differences		–	–	–	–	–11.9	–11.9
Other comprehensive income		–	–4.7	–	1.2	–11.9	–15.4
Total comprehensive income for the period		**–**	**6.8**	**–**	**1.2**	**–11.9**	**–3.9**
Transactions with owners of the company:							
Contribution to the Sulzer group	21	–	–0.4	–	–	–	–0.4
Allocation of treasury shares to share plan participants	21	–	–0.1	0.1	–	–	–
Purchase of treasury shares	21	–	–	–6.1	–	–	–6.1
Share-based payments	28	–	1.8	–	–	–	1.8
Dividends	21	–	–20.5	–	–	–	–20.5
Equity as of December 31, 2022	21	**0.4**	**540.3**	**–12.5**	**0.7**	**–24.1**	**504.8**

Consolidated statement of cash flows

January 1 – December 31

millions of CHF	Notes	2022	2021
Cash and cash equivalents as of January 1	20	**209.8**	**14.8**
Net income		11.6	44.0
Loss on net assets derecognized and retained investment	15	15.4	–
Interest and securities income	10	–0.7	–0.0
Interest expenses	10	6.5	8.1
Income tax expenses	11	0.6	7.3
Depreciation, amortization and impairments	12, 13, 14	51.1	51.7
(Gains) / losses from disposals of tangible and intangible assets	9	0.0	–0.1
Changes in inventory		–30.5	–17.0
Changes in advance payments to suppliers		1.3	–1.9
Changes in contract assets		–1.0	–
Changes in trade accounts receivable		–37.9	–2.9
Changes in contract liabilities		–0.3	–0.7
Changes in trade accounts payable		10.0	12.1
Changes in employee benefit plans		–5.9	1.3
Changes in provisions		–1.0	–6.8
Changes in other net current assets		17.7	2.4
Other non-cash items		27.1	5.6
Interest received		0.6	0.0
Interest paid		–6.5	–8.1
Income tax paid		–10.5	–7.9
Total cash flow from operating activities		**47.6**	**87.3**
Purchase of intangible assets	12	–2.2	–2.1
Purchase of property, plant and equipment	13	–36.4	–29.8
Sale of property, plant and equipment	13	1.3	0.2
Cash consideration for acquisitions, net of cash acquired	4	–14.7	–2.7
Deconsolidation of medmix Poland, cash derecognized	15	–2.0	–
Sale of other non-current financial assets		0.1	–
Purchase of current financial assets		–3.3	–0.2
Sale of current financial assets		0.2	31.4
Total cash flow from investing activities		**–57.0**	**–3.3**
Net proceeds from capital increase	21	–	294.7
Dividends paid to shareholders	21	–15.0	–41.3
Purchase of treasury shares	21	–6.1	–6.5
Payments of lease liabilities	14	–8.9	–8.0
Subsidies for lease payments		–	0.8
Proceeds from non-current borrowings	23	–	265.2
Repayments of non-current borrowings	23	–3.0	–255.1
Proceeds from current borrowings	23	310.5	107.6
Repayments of current borrowings	23	–161.6	–245.9
Total cash flow from financing activities		**116.1**	**111.6**
Exchange gains / (losses) on cash and cash equivalents		–2.9	–0.6
Net change in cash and cash equivalents		**103.7**	**195.0**
Cash and cash equivalents as of December 31	20	**313.5**	**209.8**

For the calculation of free cash flow (FCF), reference is made to the section financial review.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1 General information and basis of preparation

1.1 General information

medmix Ltd (the "company") is a company domiciled in Switzerland. The address of the company's registered office is Neuhofstrasse 20 in Baar, Switzerland. The consolidated financial statements for the year ended December 31, 2022, comprise the company and its subsidiaries (together referred to as the "group" and individually as the "subsidiaries").

The group is a global market leader in high-precision delivery devices for the healthcare and consumer and industrial business areas. The group specializes in the design and production of innovative, high-precision delivery devices and applicators for the dental, drug delivery, surgery, industrial and beauty markets. The group employs 2'067 people at 19 production, sales and service sites around the world.

The group was spun-off from Sulzer on September 20, 2021, and became a publicly traded group on September 30, 2021. medmix Ltd is listed on SIX Swiss Exchange in Zurich, Switzerland (symbol: MEDX).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They were authorized for issue by the Board of Directors on February 21, 2023.

Details of the group's accounting policies are included in note 31.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) using the historical cost convention except for

- financial assets at fair value through profit and loss; and
- net position from defined benefit plans, where plan assets are measured at fair value and the plan liabilities are measured at the present value of the defined benefit obligation.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2021

The company was incorporated on September 20, 2021 and the goal structure existed as of December 31, 2021. As such, the group changed the basis of preparation from combined and carve-out financial statements in 2020 to consolidated financial statements 2021. The group carried over the book values of the closing carve-out financial statements instead of applying IFRS 1.

Relationship with former parent and affiliates prior to the spin-off

The financial statements for periods prior to the spin-off were prepared on a combined and carve-out basis from the consolidated financial statements of the Sulzer group because the group's business did not form a separate legal group until the spin-off occurred.

As part of the debt split between the group and the Sulzer group during 2021, the unfulfilled part of a loan agreement, namely the repayment and interest payment obligations under the loan agreement amounting in total to CHF 80.2 million, was transferred to the group in the course of the spin-off, while the loan proceeds remained with the Sulzer group. The debt split between the group and Sulzer has been reflected in the balance sheet and statement of changes in equity as of December 31, 2021, and as a result, the equity of the group decreased by CHF 80.2 million and current borrowings increased by the same amount. Refer to note 21 for further details.

Rounding

Due to rounding, numbers presented throughout the report may not add up precisely to the totals provided. All ratios, percentages and variances are calculated using the underlying amount rather than the presented rounded amount.

Tables

Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Dashes (–) generally indicate that the respective figure is zero, while a zero (0.0) indicates that the relevant figure has been rounded to zero.

2 Significant events and transactions during the reporting period

The financial position and performance of the group were particularly affected by the following events and transactions during the reporting period:

- Revenue increased from CHF 457.3 million in 2021 to CHF 477.1 million in 2022 despite reduced manufacturing capacities caused by COVID-19 lockdowns in China and the suspension of operations in the Poland facility as a result of sanctions imposed by the Polish government.
- In January 2022, the group signed a lease contract for a new Healthcare site in Atlanta, USA, which will support the Drug Delivery customers in providing their products to the US market. The site will also support US customers for the Dental and Surgery market segments. The impact of the new lease contract was an increase in lease assets and lease liabilities of CHF 15.2 million.
- On May 16, 2022, the group announced a suspension of operations at its manufacturing site in Wroclaw, Poland, as a result of sanctions levied by the Polish government. The sanctions apply to medmix' minority shareholder, Viktor Vekselberg, but have been extended to medmix Poland Sp. z o.o., even though Viktor Vekselberg has no control or ownership of any medmix entities and is deprived of all his economic rights in medmix.
- On May 23, 2022, the Polish Ministry of the Interior and Administration denied the group's urgent request for removal from the Polish sanctions list. Therefore, the group started to relocate production to other countries. Appeals to the Polish administration are continuing and medmix is pushing for a speedy outcome, with the full support of the Swiss government administration.
- As of December 31, 2022, the group assessed whether it still controls medmix Poland and concluded that the group lost control at the end of April 2022, the date the sanctions were levied by the Polish government. As a result, the group stopped consolidating medmix Poland by derecognizing the assets and liabilities of the subsidiary including any components of other comprehensive income (OCI) attributable to the entity. Total net assets at the time of deconsolidation amounted to CHF 12.5 million and currency translation differences accumulated in OCI amounted to CHF 3.0 million, which resulted in a total loss from deconsolidation of CHF 15.4 million. Amounts owed to and from medmix Poland before losing control have been reclassified from intercompany receivables, loans and payables to third party receivables, loans and payables in the total net assets amount of CHF 11.8 million. The related assets have been tested for impairment based on the expected credit loss model. As a result of the impairment test and to reflect the existing credit risk, the group recognized a fifty percent loss allowance of CHF 5.9 million, calculated based on the net amount owed by medmix Poland. Further details are disclosed in note 5 and note 15.

For a detailed discussion about the group's performance and financial position, please refer to the section financial review.

3 Segment information

Segment information by business areas

	Healthcare		Consumer & Industrial		Total medmix	
millions of CHF	2022	2021	2022	2021	2022	2021
Revenue[1)]	**184.9**	**169.8**	**292.3**	**287.5**	**477.1**	**457.3**
Business area cost of goods sold	–72.1	–66.6	–187.0	–170.3	–259.1	–236.9
Business area gross profit	**112.7**	**103.2**	**105.3**	**117.1**	**218.0**	**220.4**
Business area gross profit margin	61.0%	60.8%	36.0%	40.7%	45.7%	48.2%

1) Revenue from external customers.

Certain expenses are not attributable to a particular business area and are reviewed as a whole across the group irrespective of the business area. These expenses are presented in the following reconciliation statement.

Bridge from business area gross profit to adjusted EBITDA

millions of CHF	2022	2021
Business area gross profit	**218.0**	**220.4**
Other cost of goods sold	–42.6	–39.2
Gross profit	**175.4**	**181.2**
Operating expenses	–155.8	–121.3
Operating income (EBIT)	**19.6**	**59.9**
Depreciation	28.8	28.7
Amortization	20.8	22.2
Impairments on tangible and intangible assets	1.5	0.9
EBITDA	**70.7**	**111.7**
Restructuring expenses	1.1	0.3
Non-operational items[1)]	33.6	2.5
Adjusted EBITDA	**105.4**	**114.5**
Adjusted EBITDA margin	22.1%	25.0%

1) Non-operational items include significant acquisition-related expenses, gains and losses from the sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2022	2021
Cash flow from operating activities	**47.6**	**87.3**
Purchase of intangible assets	–2.2	–2.1
Purchase of property, plant and equipment	–36.4	–29.8
Sale of property, plant and equipment	1.3	0.2
Free cash flow (FCF)	**10.3**	**55.6**

Information about reportable segments

Operating segments are determined based on the reports reviewed by the Board of Directors (BoD) that are used to measure performance, make strategic decisions, and allocate resources to the segments. The business is managed based on business areas, and the reportable segments have been identified as disclosed below. The BoD assesses the performance of the two segments based on the business areas' revenue, gross profit and gross profit margin.

The BoD assesses performance of the group using alternative performance measures (APM) that are derived from the financial statements prepared in accordance with IFRS. The APMs are prepared in addition to IFRS to assist in comparability of information across periods by adjusting for depreciation, amortization, impairment, restructuring and other non-operational items (see section alternative performance measures (APM)). In this context, the BoD assesses the performance of the group based on adjusted EBITDA and free cash flow in addition to each business area's revenue and gross profit.

Revenue from external customers that is reported to the BoD is measured in a manner consistent with that in the income statement. There is no significant revenue between the segments. No individual customer represents a significant portion of the group's revenue.

Healthcare

Through its well-known brands Haselmeier, Medmix, Mixpac and Transcodent, the Healthcare business area specializes in the design and production of innovative, high-precision delivery devices and services within the drug delivery, surgery and dental markets. Products include injection pens for subcutaneous delivery of drugs, surgical delivery devices focusing on trauma bone repair and wound-healing tissue treatment and mixing, filling and delivery device systems for the dental consumable industry.

The business area's IP-protected solutions make the customers' products precise, safe, unique and more sustainable, leveraging the business's expertise in drug delivery, plastic-injection technology, molding and two-component mixing.

Consumer & Industrial

Through its well-known brands Mixpac, MK, Cox and Geka, the Consumer & Industrial business area specializes in the design and production of innovative, high-precision delivery devices and services within the Industry market segment, such as adhesives used in construction, electronics, automotive, aerospace and various industries and consumer markets such as beauty and other microbrush applications. Products include hand-held mixing and dispensing delivery devices for two-component adhesives and sealants, mixing tips, cartridges, high-precision make-up applicators and microbrushes.

The business area's IP-protected solutions make the customers' products precise, safe, unique and more sustainable, leveraging the business's expertise in plastic injection molding, two-component mixing, fluid handling, material design and microbrushes.

Regional segment information

The allocation of assets is based on their geographical location. Non-current assets exclude non-current financial assets, deferred income tax assets and defined benefit assets. The allocation of revenue from external customers is based on the ship-to location defined by the group's customer, which does not necessarily correspond with the location of the end customer.

Non-current assets by region

millions of CHF	2022	2021
Europe, the Middle East and Africa	**547.7**	**579.4**
– thereof Germany	319.8	339.1
– thereof Switzerland	188.8	185.3
Americas	**48.6**	**35.8**
– thereof USA	47.0	34.2
Asia-Pacific	**8.3**	**8.4**
– thereof China	7.6	7.2
Total non-current assets	**604.6**	**623.5**

Revenue by region

millions of CHF	2022	2021
Europe, the Middle East and Africa	**274.9**	**273.2**
– thereof Germany	98.5	106.5
– thereof Italy	42.8	40.1
– thereof France	27.1	21.6
– thereof Switzerland	23.3	18.3
Americas	**162.8**	**141.0**
– thereof USA	143.5	129.3
Asia-Pacific	**39.4**	**43.1**
– thereof China	18.6	20.6
Total revenue	**477.1**	**457.3**

Market segment information

The following table shows the allocation of revenue from external customers by market segment:

Revenue by market segment

millions of CHF	2022	2021
Dental	125.1	116.3
Drug Delivery	47.0	40.8
Surgery	12.8	12.6
Total Healthcare	**184.9**	**169.8**
Industry	148.2	160.5
Beauty	144.1	126.9
Total Consumer & Industrial	**292.3**	**287.5**
Total revenue	**477.1**	**457.3**

4 Acquisition of subsidiaries

Acquisitions in 2022

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition, including the resulting goodwill and the total consideration paid. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts recognized below, then the accounting for the acquisition will be revised.

Net assets acquired

millions of CHF	Universal	Total
Intangible assets	8.2	8.2
Property, plant and equipment	0.9	0.9
Inventory	0.4	0.4
Net identifiable assets	**9.5**	**9.5**
Goodwill recognized in balance sheet	5.2	5.2
Total consideration	**14.7**	**14.7**
Purchase price paid by the group	14.7	14.7
Total consideration	**14.7**	**14.7**

Universal

On October 24, 2022, the group acquired the entire plastics business of Universal de Suministros, S.L., Spain, ("Universal") for CHF 14.7 million and the business was integrated into medmix Spain. Based in Valencia, this acquisition will be developed into a production hub for the Industry market segment. Universal employs approximately 24 people and is a manufacturer of cartridges, mixers & accessories for construction & industrial adhesives related markets, with extensive experience, a strong reputation and manufacturing capabilities. Universal will operate as part of medmix' Industry market segment. The goodwill is attributable to synergies from enabling the group to rapidly scale up production for its Industry market segment. Transaction costs recognized in the income statement amount to CHF 0.3 million.

Cash flow from acquisitions of subsidiaries

millions of CHF	2022	2021
Cash consideration paid	–14.7	–
Contingent consideration paid	–0.0	–2.7
Cash acquired	–	–
Total cash flow from acquisitions, net of cash acquired	**–14.7**	**–2.7**

Contingent consideration

millions of CHF	2022	2021
Balance as of January 1	0.0	2.7
Assumed in a business combination	–	0.0
Payment of contingent consideration	–0.0	–2.7
Currency translation differences	–0.0	0.0
Total contingent consideration as of December 31	**–**	**0.0**
– thereof non-current	–	–
– thereof current	–	0.0

Acquisitions in 2021

No acquisitions were made in 2021.

5 Critical accounting estimates and judgments

In preparing these consolidated financial statements in accordance with IFRS, management has made estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and contingent liabilities. All estimates and assessments are continually reviewed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The group makes estimates and assumptions that relate to the future. By their nature, these estimates will only rarely correspond to actual subsequent events. The estimates and assumptions that carry a significant risk, in the form of a substantial adjustment to the present values of assets and liabilities within the next financial year, are set out below.

Employee benefit plans

The present value of the pension obligation and the plan assets depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit assets/obligations include the discount rate, future salary and pension increases, and mortality rates. The assumptions are reviewed and reassessed at the end of each year. Further details are provided in note 8 and note 31.

Income taxes

The group is obliged to pay income taxes in numerous jurisdictions. Assumptions are required in order to determine income tax provisions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management believes that the estimates are reasonable, and that the recognized liabilities for income tax-related uncertainties are adequate. Further details are disclosed in note 11.

Goodwill and other intangible assets

The group carries out an annual impairment test on goodwill in the first quarter of the year (after the budget and the three-year strategic plan have been approved), or when indications of a potential impairment exist. The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations with the terminal growth rate, the discount rate, and the projected cash flows as the main variables. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment are disclosed in note 12. The accounting policies are disclosed in note 31.

Lease assets and lease liabilities

The group has applied judgment to determine the lease term for lease contracts that include renewal and termination options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and lease assets recognized. This assessment depends on economic incentives, such as removal and relocation costs. Further details are disclosed in note 14 and note 31.

Revenue

At contract inception, the group assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as a performance obligation. The group considers the terms of the contract and all other relevant facts, including the economic substance of the transaction. Judgment is needed to determine whether there is a single performance obligation or multiple, separate performance obligations.

If the consideration promised in a contract includes a variable amount (e.g. early payment discounts, volume discounts), the group estimates the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expects to better predict the amount of consideration to which it will be entitled: the expected value or the most likely amount. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled. Depending on the outcome of the respective transactions, actual payments may differ from these estimates.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. If the stand-alone selling price is not directly observable, then the group estimates the amount with the expected cost plus margin method. Further details are disclosed in note 31.

Provisions

Provisions are made, among other reasons, for warranties, disputes, litigation and restructuring. A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The nature of these costs is such that judgment has to be applied to estimate the timing and amount of cash outflows. Depending on the outcome of the respective transactions, actual payments may differ from these estimates. Further details are disclosed in note 24 and note 31.

Deconsolidation of medmix Poland and related impairments and inventory write-off

Amounts owed to and from medmix Poland before losing control have been reclassified from intercompany receivables and payables to third party receivables and payables. The related assets have been tested for impairment based on the expected credit loss model. As a result of the impairment test and to reflect the existing credit risk, the group recognized a loss allowance. The group also remeasured the investment in medmix Poland at its fair value. The nature of this fair value valuation is such that judgment has to be applied to estimate the fair value. Further details are disclosed in note 15.

In 2022, after the deconsolidation of medmix Poland, the group acquired inventory from medmix Poland and was subsequently writing down the inventory to the net realizable value. Further details are disclosed in note 9.

6 Financial risk management

6.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury). Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the group's entities and businesses. Principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, exist in writing.

a) Market risk

(I) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The group is exposed to transactional foreign currency risk to the extent that revenues, purchases, license fees, borrowings and other balance sheet items are denominated in currencies other than the functional currencies of group companies. The functional currencies of group entities are primarily CHF, EUR, USD and GBP. Management has set up a policy to require entities to manage their foreign exchange risk against their functional currency. The entities are required to hedge their major foreign exchange risk exposure using forward contracts or other standard instruments, usually transacted with Group Treasury. The group's management policy is to apply the following hedge ratios:

Contractual FX exposure

- 90% to 100% of the exposure

Non-contractual FX exposure

- 100% of the forecasted exposure for the next 1–3 months
- 60% of the forecasted exposure for the next 4–6 months
- 40% of the forecasted exposure for the next 7–12 months

The group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date. The contracts are generally designated for hedge accounting as cash flow hedges. The group determines the existence of an economic relationship between the hedging instruments and the hedged item based on the currency, amount and timing of the respective cash flows. For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness. In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated.

Presently, most of the contracts are designated as cash flow hedges. External foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis. The group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. If required, currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Derivative financial instruments are only used on an ad hoc basis to manage foreign currency translation risk.

The following tables show the hypothetical influence on the income statement related to the foreign exchange risk of financial instruments. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. For 2022, the currency pair with the most significant exposure and inherent risk was the CHF versus the PLN. If, on December 31, 2022, the CHF had increased by 13.5% against the PLN with all other variables held constant, profit after tax for the year would have been CHF 0.7 million higher due to foreign exchange gains on PLN-denominated financial liabilities. A decrease of the rate would have caused a loss of the same amount.

Hypothetical impact of foreign exchange risk on income statement

millions of CHF			2022
Currency pair	CHF/PLN	EUR/CHF	EUR/USD
Exposure	5.6	3.1	–1.5
Volatility	13.5%	8.0%	10.5%
Effect on profit after tax (rate increase)	0.7	0.2	–0.2
Effect on profit after tax (rate decrease)	–0.7	–0.2	0.2

millions of CHF			2021
Currency pair	EUR/INR	EUR/CZK	USD/BRL
Exposure	–3.8	4.7	0.7
Volatility	5.8%	4.0%	16.8%
Effect on profit after tax (rate increase)	–0.2	0.2	0.1
Effect on profit after tax (rate decrease)	0.2	–0.2	–0.1

The following tables show the hypothetical influence on equity related to the foreign exchange risk of financial instruments for the most important currency pairs as of December 31 of the respective year. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flows in foreign currencies.

Hypothetical impact of foreign exchange risk on equity

millions of CHF			2022
Currency pair	USD/CHF	EUR/CHF	EUR/GBP
Exposure	–32.5	7.5	–6.1
Volatility	9.7%	8.0%	8.4%
Effect on equity, net of taxes (rate increase)	–3.0	0.6	–0.5
Effect on equity, net of taxes (rate decrease)	3.0	–0.6	0.5

millions of CHF			2021
Currency pair	USD/CHF	CHF/PLN	EUR/GBP
Exposure	–32.7	–20.3	–7.5
Volatility	6.5%	6.5%	5.3%
Effect on equity, net of taxes (rate increase)	–1.8	–1.1	–0.3
Effect on equity, net of taxes (rate decrease)	1.8	1.1	0.3

(II) Price risk

As of December 31, 2022, and 2021, the group was not exposed to significant price risk related to investments in equity securities.

(III) Interest rate sensitivity

The group's interest rate risk arises from interest-bearing assets and liabilities. Assets and liabilities at variable rates expose the group to cash flow interest rate risk. The group analyzes its interest rate exposure on a net basis and, if required, enters into derivative instruments in order to keep the volatility of net interest income or expense limited. The group's current and non-current interest-bearing liabilities mainly comprise a syndicated term loan of CHF 250.0 million with variable interest rates and CHF 150.0 million revolving credit facility.

The following table shows the hypothetical influence on the income statement for variable interest-bearing assets net of liabilities at variable interest rates, assuming market interest rate levels would have increased/ decreased by 100 basis points. For CHF, increasing interest rates would have a negative impact on the income statement since the value of variable interest-bearing liabilities exceed the value of variable interest-bearing assets. For the other most significant currencies, EUR, USD, CNY and GBP, increasing interest rates would have had a positive impact on the income statement as variable interest-bearing assets (comprising mainly cash and cash equivalents) exceed the value of variable interest-bearing liabilities.

Hypothetical impact of interest rate risk on income statement

millions of CHF	2022			
			Impact on post-tax profit	
Variable interest-bearing assets / (liabilities), net	Amount	Sensitivity in basis points	Rate increase	Rate decrease
CHF	–108.7	100	–1.0	1.0
EUR	36.0	100	0.3	–0.3
USD	17.2	100	0.2	–0.2
CNY	10.7	100	0.1	–0.1
GBP	2.6	100	0.0	0.0

millions of CHF	2021			
			Impact on post-tax profit	
Variable interest-bearing assets / (liabilities), net	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	–95.1	100	–0.8	0.8
EUR	22.5	100	0.2	–0.2
USD	12.5	100	0.1	–0.1
CNY	10.7	100	0.1	–0.1
GBP	4.7	100	0.0	0.0

On December 31, 2022, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 1.0 million lower as a result of higher interest expenses on CHF-denominated liabilities. A decrease of interest rates on CHF-denominated liabilities net of assets would have caused a gain of the same amount. As of December 31, 2021, if the interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 0.8 million lower as a result of higher interest expenses on CHF-denominated liabilities.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and credit exposures to customers, including outstanding receivables, contract assets and committed transactions. The maximum exposure to credit risk per class of financial asset is disclosed by carrying amounts in the fair value table.

Credit risks of banks and financial institutions are monitored and managed centrally. Generally, only independently rated parties with a strong credit rating are accepted, and the total volume of transactions is split among several banks to reduce the individual risk with one bank.

For every customer with a large order volume, an individual risk assessment of the credit quality of the customer is performed that considers independent ratings, financial position, past experience and other factors. Additionally, bank guarantees and letters of credit are requested. For more details on the credit risk of contract assets, please refer to note 17, and on the credit risk of trade accounts receivable, please refer to note 18.

c) Liquidity risk

Prudent liquidity risk management includes the maintenance of sufficient cash and marketable securities, the availability of funding from an adequate number of committed credit facilities, and the ability to close out market positions.

Management anticipates the future development of the group’s liquidity reserve on the basis of expected cash flows by performing regular group-wide cash forecasts.

The following table analyzes the group’s financial liabilities in relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows calculated with the year-end closing rates. Borrowings include the notional amount and interest payments.

Maturity profile of financial liabilities

					2022
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	402.0	157.6	282.9	–	440.5
Lease liabilities	71.5	9.3	33.1	41.4	83.8
Trade accounts payable	47.4	47.4	–	–	47.4
Other current and non-current liabilities (excluding derivative liabilities)	8.5	8.5	-	–	8.5
Derivative liabilities	0.4	0.4	–	–	0.4
– thereof outflow		24.9	–	–	24.9
– thereof inflow		24.7	–	–	24.7

					2021
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	255.2	19.6	249.1	-	268.8
Lease liabilities	65.7	8.0	24.5	38.3	70.8
Trade accounts payable	41.1	41.1	–	–	41.1
Other current and non-current liabilities (excluding derivative liabilities)	3.1	3.0	0.0	–	3.1
Derivative liabilities	0.2	0.2	–	–	0.2
– thereof outflow		24.9	–	–	24.9
– thereof inflow		24.7	–	–	24.7

6.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The following table shows the net debt/adjusted EBITDA ratio as of December 31.

Net debt/adjusted EBITDA ratio

millions of CHF	2022	2021
Cash and cash equivalents	–313.5	–209.8
Current financial assets	–3.3	–0.2
Non-current borrowings	246.9	238.9
Non-current lease liabilities	62.5	57.8
Current borrowings	155.1	16.3
Current lease liabilities	9.0	7.9
Net debt as of December 31	**156.7**	**110.9**
EBIT	**19.6**	**59.9**
Depreciation	28.8	28.7
Impairments on tangible and intangible assets	1.5	0.9
Amortization	20.8	22.2
EBITDA	**70.7**	**111.7**
Restructuring expenses	1.1	0.3
Non-operational items[1)]	33.6	2.5
Adjusted EBITDA	**105.4**	**114.5**
Net debt	156.7	110.9
Adjusted EBITDA	105.4	114.5
Net debt/adjusted EBITDA ratio	**1.49**	**0.97**

1) Non-operational items include significant acquisition-related expenses, gains and losses from the sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

6.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as of December 31, 2022, and 2021, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

Fair values are categorized into three different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. Such instruments are included in level 1.

The fair values included in level 2 are based on valuation techniques using observable market input data. This may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates.

Fair values measured using unobservable inputs are categorized within level 3 of the fair value hierarchy. This applies particularly to contingent considerations in business combinations.

Fair value table

		December 31, 2022								
		Carrying amount					Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value										
Non-current financial assets (at fair value)	15	–	–			–	–	–	–	–
Derivative assets – current	19, 26	2.3				2.3	–	2.3	–	2.3
Total financial assets measured at fair value		**2.3**	**–**	**–**	**–**	**2.3**	**–**	**2.3**	**–**	**2.3**
Financial assets not measured at fair value										
Non-current financial assets (at amortized cost)	15			6.5		6.5				
Non-current receivables (excluding non-current derivative assets)				0.1		0.1				
Trade accounts receivable	18			59.6		59.6				
Other current receivables (excluding current derivative assets and other taxes)	19			1.4		1.4				
Current financial assets (at amortized cost)				3.3		3.3				
Cash and cash equivalents	20			313.5		313.5				
Total financial assets not measured at fair value		**–**	**–**	**384.4**	**–**	**384.4**				
Financial liabilities measured at fair value										
Derivative liabilities – current	25, 26	0.4				0.4	–	0.4	–	0.4
Contingent considerations			–			–	–	–	–	–
Total financial liabilities measured at fair value		**0.4**	**–**	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**0.4**
Financial liabilities not measured at fair value										
Non-current borrowings	23				246.9	246.9				
Other non-current liabilities (excluding non-current derivative liabilities)					–	–				
Current borrowings and bank loans	23				155.1	155.1				
Trade accounts payable					47.4	47.4				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	25				6.9	6.9				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**456.3**	**456.3**				

Non-current financial assets (at fair value) include the investment in medmix Poland of which the fair value (level 3) was assessed to be zero.

Fair value table

December 31, 2021

		Carrying amount					Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value										
Non-current financial assets (at fair value)			–			–	–	–	–	–
Derivative assets – current	19, 26	2.1				2.1	–	2.1	–	2.1
Total financial assets measured at fair value		**2.1**	**–**	**–**	**–**	**2.1**	**–**	**2.1**	**–**	**2.1**
Financial assets not measured at fair value										
Non-current financial assets (at amortized cost)				0.1		0.1				
Trade accounts receivable	18			28.5		28.5				
Other current receivables (excluding current derivative assets and other taxes)	19			1.6		1.6				
Current financial assets (at amortized cost)				0.2		0.2				
Cash and cash equivalents	20			209.8		209.8				
Total financial assets not measured at fair value		**–**	**–**	**240.2**	**–**	**240.2**				
Financial liabilities measured at fair value										
Derivative liabilities – current	25, 26	0.2				0.2	–	0.2	–	0.2
Contingent considerations	4		0.0			0.0	–	–	0.0	0.0
Total financial liabilities measured at fair value		**0.2**	**0.0**	**–**	**–**	**0.2**	**–**	**0.2**	**0.0**	**0.2**
Financial liabilities not measured at fair value										
Non-current borrowings	23				238.9	238.9				
Other non-current liabilities (excluding non-current derivative liabilities)					0.0	0.0				
Current borrowings and bank loans	23				16.3	16.3				
Trade accounts payable					41.1	41.1				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	25				1.9	1.9				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**298.3**	**298.3**				

7 Personnel expenses

millions of CHF	2022	2021
Salaries and wages	120.5	108.8
Defined contribution plan expenses	1.6	0.5
Defined benefit plan expenses	5.6	5.3
Cost of share-based payment transactions	1.8	1.1
Social benefit costs	17.2	15.9
Other personnel costs	3.8	3.4
Total personnel expenses	**150.5**	**135.1**

8 Employee benefit plans

The defined benefit obligations for the active members of pension plans is the present value of accrued pension obligations at the balance sheet date considering future salary and pension increases and turnover rates (using the project unit credit method). The defined benefit obligations for the retirees are the present value of the current and future pension benefits considering future pension increases.

Reconciliation of the amount recognized in the balance sheet as of December 31

			2022
millions of CHF	Funded plans Switzerland	Unfunded plans Germany	Total
Present value of funded defined benefit obligation	–97.5	–	–97.5
Fair value of plan assets (funded plans)	121.7	–	121.7
Overfunding / (underfunding)	**24.1**	**–**	**24.1**
Present value of unfunded defined benefit obligation	–	–1.0	–1.0
Adjustment to asset ceiling	–24.1	–	–24.1
Asset / (liability) recognized in the balance sheet	**–**	**–1.0**	**–1.0**
– thereof as defined benefit obligations	–	–1.0	–1.0
– thereof as defined benefit assets	–	–	–

			2021
millions of CHF	Funded plans Switzerland	Unfunded plans Germany	Total
Present value of funded defined benefit obligation	–94.2	–	–94.2
Fair value of plan assets (funded plans)	101.1	–	101.1
Overfunding / (underfunding)	**6.9**	**–**	**6.9**
Present value of unfunded defined benefit obligation	–	–1.5	–1.5
Asset / (liability) recognized in the balance sheet	**6.9**	**–1.5**	**5.4**
– thereof as defined benefit obligations	–	–1.5	–1.5
– thereof as defined benefit assets	6.9	–	6.9

The group operates funded defined benefit pension plans in Switzerland. Unfunded defined benefit plans relate to pension plans in Germany. The plans are exposed to actuarial risks, e.g., longevity risk, currency risk and interest rate risk, and the funded plans additionally to market (investment) risk.

In Switzerland, the group contributes to two pension plans funded via two different pension funds, i.e., a base plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide benefits depending on the pension savings at retirement. They include certain legal minimum interest credits to the pension savings (i.e., investment return) and guaranteed rates of conversion of pension savings into an annuity at retirement. In addition, the plans offer death in service and disability benefits. The two pension funds are collective funds, administrating pension plans of group companies and other companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contributions by employer and employees or lower interest on pension savings, to eliminate the underfunding. The pension funds are legally separated from the group. The vast majority of the active participants in the two pension funds are employed by companies not belonging to the group. The Board of Trustees for the base plan comprises 10 employee representatives and 10 employer representatives. The total expenses recognized in the income statement in 2022 were CHF 5.6 million (2021: CHF 5.2 million).

In Germany, the group operates an unfunded defined benefit pension plan and benefits are paid directly by the employer to the beneficiaries as they become due. The plan is closed for new entrants. Existing employees who participated in the defined benefit plan continue to be eligible for these defined benefit pensions. The defined benefit plan offers retirement pensions and disability pensions. The total expenses recognized in the income statement in 2022 were CHF 0.0 million (2021: CHF 0.1 million).

Employee benefit plans

millions of CHF	2022	2021
Reconciliation of effect of asset ceiling		
Adjustment to asset ceiling at January 1	–	–
Change in effect of asset ceiling excl. interest income / (expenses)	–24.1	–
Adjustment to asset ceiling at December 31	**–24.1**	**–**
Reconciliation of asset / (liability) recognized in the balance sheet		
Asset / (liability) recognized at January 1	5.4	–8.3
Defined benefit income / (expenses) recognized in the income statement	–5.6	–5.3
Defined benefit income / (expenses) recognized in OCI	–5.4	14.9
Employer contributions	4.6	3.9
Currency translation differences	0.1	0.0
Asset / (liability) recognized at December 31	**–1.0**	**5.4**
Components of defined benefit income / (expenses) in the income statement		
Current service costs (employer)	–5.6	–5.2
Interest expenses	–0.4	–0.1
Interest income on plan assets	0.4	0.1
Other administrative costs	–0.0	–0.0
Income / (expenses) recognized in the income statement	**–5.6**	**–5.3**
– thereof charged to personnel expenses	–5.6	–5.3
– thereof charged to financial expenses	0.0	–0.0
Components of defined benefit gains / (losses) in OCI		
Actuarial gains / (losses) on defined benefit obligation	9.9	–4.3
Returns on plan assets excl. interest income	8.9	19.3
Changes in effect of asset ceiling excl. interest expenses / (income)	–24.1	–
Defined benefit gains / (losses) recognized in OCI[1)]	**–5.4**	**14.9**

1) The tax effect on defined benefit cost recognized in OCI amounted to CHF 0.7 million (2021: CHF -2.0 million).

Employee benefit plans

millions of CHF	2022	2021
Reconciliation of defined benefit obligation		
Defined benefit obligation as of January 1	–95.7	–84.1
Interest expenses	–0.4	–0.1
Current service costs (employer)	–5.6	–5.2
Contributions by plan participants	–3.3	–2.8
Benefits paid / (deposited)	–3.5	0.8
Other administrative costs	–0.0	–0.0
Actuarial gains / (losses)	9.9	–4.3
Currency translation differences	0.1	0.1
Defined benefit obligation as of December 31[1)]	**–98.5**	**–95.7**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	101.1	75.9
Interest income on plan assets	0.4	0.1
Employer contributions	4.6	3.9
Contributions by plan participants	3.3	2.8
Benefits (paid) / deposited	3.4	–0.8
Returns on plan assets excl. interest income	8.9	19.3
Fair value of plan assets as of December 31	**121.7**	**101.1**
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	5.0	7.8
Equity instruments	27.0	24.4
Debt instruments	34.7	27.8
Real estate funds	4.3	3.0
Others	7.3	5.9
Total assets at fair value – quoted market price as of December 31	**78.3**	**68.9**
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third parties (real estate)	36.0	26.3
Others	7.3	5.9
Total assets at fair value – non-quoted market price as of December 31	**43.4**	**32.2**
Best estimate of contributions for upcoming financial year		
Contributions by the employer	4.6	4.2

1) The defined benefit obligation includes the funded part and the unfunded part.

Employee benefit plans

millions of CHF	2022	2021
Components of defined benefit obligation, split		
Defined benefit obligation for active members	–75.0	–78.0
Defined benefit obligation for pensioners	–23.4	–17.5
Defined benefit obligation for deferred members	–0.1	–0.2
Total defined benefit obligation as of December 31	**–98.5**	**–95.7**
Components of actuarial gains / (losses) on obligations		
Actuarial gains / (losses) arising from changes in financial assumptions	23.1	3.1
Actuarial gains / (losses) arising from changes in demographic assumptions	–	–
Actuarial gains / (losses) arising from experience adjustments	–13.2	–7.4
Total actuarial gains / (losses) on defined benefit obligation	**9.9**	**–4.3**
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	12.0	16.4

Principal actuarial assumptions as of December 31

The following were the principal actuarial assumptions:

	2022		2021	
	Funded plans Switzerland	Unfunded plans Germany	Funded plans Switzerland	Unfunded plans Germany
Discount rate for active employees	2.2%	3.8%	0.4%	0.9%
Discount rate for pensioners	2.3%	3.8%	0.3%	0.9%
Future salary increases	1.5%	0.0%	1.0%	0.0%
Future pension increases	0.0%	1.0%	0.0%	1.0%
Life expectancy at retirement age (male / female) in years	22/24	21/24	22/24	21/24

Sensitivity analysis of defined benefit obligations

Reasonably possible changes at the reporting date to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

millions of CHF	2022	2021
Discount rate (decrease 0.25 percentage points)	–2.9	–4.1
Discount rate (increase 0.25 percentage points)	2.7	3.8
Future salary growth (decrease 0.25 percentage points)	1.1	0.6
Future salary growth (increase 0.25 percentage points)	–1.2	–0.6
Life expectancy (decrease 1 year)	0.4	2.1
Life expectancy (increase 1 year)	–0.3	–2.1

9 Other operating income and expenses

millions of CHF	2022	2021
Gain from sale of property, plant and equipment	0.1	0.1
Other operating income	0.7	0.3
Total other operating income	**0.8**	**0.3**
Restructuring expenses	–1.1	–0.3
Impairments on tangible and intangible assets	–1.5	–0.9
Cost for mergers and acquisitions	–0.5	–
Loss from sale of property, plant and equipment	–0.1	–0.0
Operating currency exchange losses, net	–2.8	–1.8
Deconsolidation of medmix Poland: Loss on net assets derecognized and retained investment	–15.4	–
Impairments on exposure against medmix Poland	–5.9	–
Write-downs on inventory acquired from medmix Poland	–2.6	–
Total other operating expenses	**–30.1**	**–3.0**
Total other operating income / (expenses), net	**–29.3**	**–2.7**

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as revenues from customers.

For 2022, the group recognized restructuring costs of CHF 1.2 million (2021: CHF 0.5 million), partly offset by released restructuring provisions of CHF 0.0 million (2021: CHF 0.2 million). The group further performed impairment tests on production machines and facilities leading to impairments of CHF 1.5 million (2021: CHF 0.9 million). For more details, refer to note 12 and note 13.

The functional allocation of the total restructuring expenses and impairments is as follows: cost of goods sold CHF –1.8 million (2021: CHF –0.3 million), selling and administrative expenses CHF –0.7 million (2021: CHF –0.2 million) and research and development expenses CHF –0.1 million (2021: CHF –0.7 million).

In 2022, the group deconsolidated medmix Poland as of April 2022. The loss on the net assets derecognized and retained investment amounted to CHF 15.4 million (2021: CHF 0.0 million). Amounts owed to and from medmix Poland before losing control have been reclassified from intercompany receivables, loans and payables to third party receivables, loans and payables in the total net assets amount of CHF 11.8 million. The group further recognized impairments on the net exposure against medmix Poland in the amount of CHF 5.9 million (2021: CHF 0.0 million). For more details, reference is made to note 15.

The functional allocation of the impairments is as follows: Selling and administrative expenses CHF –1.1 million (2021: CHF 0.0 million), other financial income and expenses CHF –4.8 million (2021: CHF 0.0 million)

In 2022, after the deconsolidation of medmix Poland, the group acquired inventory from medmix Poland in the amount of CHF 6.2 million and was subsequently writing down the inventory by CHF 2.6 million (2021: CHF 0.0 million) to the net realizable value.

10 Financial income and expenses

millions of CHF	2022	2021
Interest and securities income	0.7	0.0
Total interest and securities income	**0.7**	**0.0**
Interest expenses on borrowings and lease liabilities	–6.5	–8.1
Total interest expenses	**–6.5**	**–8.1**
Total interest income / (expenses), net	**–5.8**	**–8.0**
Fair value changes	0.6	1.3
Other financial income / (expenses), net	0.1	–0.3
Currency exchange gains / (losses), net	–2.3	–1.5
Total other financial income / (expenses), net	**–1.6**	**–0.5**
Total financial income / (expenses), net	**–7.4**	**–8.6**
– thereof fair value changes on financial assets at fair value through profit and loss	0.6	1.3
– thereof interest income on financial assets at amortized costs	0.7	0.0
– thereof other financial income / (expenses), net	0.1	–0.3
– thereof currency exchange gains / (losses), net	–2.3	–1.5
– thereof interest expenses on borrowings	–5.4	–7.4
– thereof interest expenses on lease liabilities	–1.0	–0.7

Total financial expenses, net, amounted to CHF 7.4 million, compared with CHF 8.6 million in 2021. The financial expenses are mainly driven by interest expenses on borrowings.

11 Income taxes

millions of CHF	2022	2021
Current income tax expenses	–5.4	–13.0
Deferred income tax income	4.8	5.7
Total income tax expenses	**–0.6**	**–7.3**

For the reconciliation of the income tax expenses, the group used the weighted average tax rate for the group tax rate. The weighted average tax rate results from applying each subsidiary's statutory income tax rate to the income before taxes based on absolute values (that is, making all values positive). Since the group operates in countries that have differing tax laws and rates, the consolidated weighted average effective tax rate will vary from year to year according to variations in income per country and changes in applicable tax rates.

Reconciliation of income tax expenses

millions of CHF	2022	2021
Income before income tax expenses	12.2	51.3
Group tax rate	**17.4%**	**17.5%**
Income taxes at group tax rate	–2.1	–9.0
Income taxed at different tax rates	2.8	4.7
Effect of tax loss carryforwards and allowances for deferred income tax assets	–0.9	–3.1
Expenses not deductible for tax purposes	–0.8	–0.3
Effect of changes in tax rates and legislation	0.3	–0.2
Prior year items and others	0.2	0.6
Total income tax expenses	**–0.6**	**–7.3**
Effective income tax rate	5.1%	14.3%

The effective income tax rate for 2022 was 5.1%. The effect of income tax at different tax rates in the amount of CHF 2.8 million mainly consists of tax-deductible impairments of foreign subsidiaries, partly offset by deconsolidating the net assets of medmix Poland. Without the effects of foreign subsidiaries impairments and deconsolidating medmix Poland, the effective income tax rate would have been 14.2%.

The effective income tax rate for 2021 was 14.3%. The effect of tax loss carryforwards and allowances of deferred income tax assets in the amount of CHF –3.1 million mainly consists of unrecognized tax losses in Germany, which forfeited following the spin-off of the group from the Sulzer group.

Income tax liabilities

millions of CHF	2022	2021
Balance as of January 1	10.6	6.9
Additions	5.4	11.5
Released as no longer required	–0.0	–0.3
Utilized	–11.4	–7.5
Currency translation differences	0.1	–0.0
Total income tax liabilities as of December 31	**4.7**	**10.6**
– thereof non-current	–0.0	1.7
– thereof current	4.7	8.9

Summary of deferred income tax assets and liabilities in the balance sheet

			2022
millions of CHF	Assets	Liabilities	Net
Intangible assets	1.5	–18.8	–17.2
Property, plant and equipment	1.5	–1.0	0.5
Inventory	2.4	–1.1	1.3
Other assets	1.0	–3.3	–2.2
Non-current provisions	0.2	–	0.2
Current provisions	0.5	–0.1	0.4
Other liabilities	2.5	–0.2	2.4
Tax loss carryforwards	4.4	–	4.4
Tax assets / liabilities	**14.1**	**–24.5**	**–10.3**
Offset of assets and liabilities	–8.4	8.4	–
Net recorded deferred income tax assets and liabilities	5.8	–16.1	–10.3

millions of CHF	Assets	Liabilities	Net
			2021
Intangible assets	1.2	–23.0	–21.8
Property, plant and equipment	1.3	–0.4	1.0
Inventory	2.7	–0.4	2.3
Other assets	0.7	–3.0	–2.2
Defined benefit obligations	0.2	–0.0	0.1
Non-current provisions	0.3	–	0.3
Current provisions	0.2	–0.1	0.1
Other liabilities	4.2	–1.9	2.3
Tax loss carryforwards	2.5	–	2.5
Tax assets / liabilities	**13.3**	**–28.8**	**–15.4**
Offset of assets and liabilities	–9.2	9.2	0.0
Net recorded deferred income tax assets and liabilities	4.2	–19.6	–15.4

Cumulative deferred income taxes recorded in equity as of December 31, 2022, amounted to CHF 1.2 million (2021: CHF 1.7 million).

The group does not recognize any deferred taxes on investments in group entities because it controls the dividend policy of its entities – i.e., the group controls the timing of reversal of the related taxable temporary differences and management is satisfied that no material amounts will reverse in the foreseeable future.

Movement of deferred income tax assets and liabilities in the balance sheet

millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of entities	Currency translation differences	Balance as of December 31
						2022
Intangible assets	–21.8	5.1	–	–	–0.5	–17.2
Property, plant and equipment	1.0	–0.8	–	–	0.3	0.5
Inventory	2.3	–1.0	–	–	0.1	1.3
Other assets	–2.2	0.2	–0.2	–	–	–2.2
Defined benefit obligations	0.1	–0.8	0.7	–	–	–
Non-current provisions	0.3	–0.0	–	–	–0.1	0.2
Current provisions	0.1	0.3	–	–	–	0.4
Other liabilities	2.3	0.0	–	–	–	2.4
Tax loss carryforwards	2.5	1.9	–	–	–	4.4
Total	**–15.4**	**4.8**	**0.5**	**–**	**–0.2**	**–10.3**

2021

millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of entities	Currency translation differences	**Balance as of December 31**
Intangible assets	–25.7	2.8	–	–	1.0	–21.8
Property, plant and equipment	0.1	0.5	–	–	0.3	1.0
Inventory	1.1	1.4	–	–	–0.2	2.3
Other assets	–0.2	–2.1	0.1	–	–	–2.2
Defined benefit obligations	0.9	1.2	–2.0	–	–	0.1
Non-current provisions	0.3	–0.2	–	–	0.2	0.3
Current provisions	–0.0	0.2	–	–	–	0.1
Other liabilities	1.0	1.3	–	–	–	2.3
Tax loss carryforwards	1.9	0.6	–	–	–	2.5
Total	**–20.5**	**5.7**	**–1.9**	**–**	**1.3**	**–15.4**

Tax loss carryforwards (TLCF)

2022

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	**Unrecognized TLCF**
Expiring in the next 3 years	1.2	0.2	–0.2	0.0	1.3
Expiring in 4–7 years	4.5	0.5	–0.5	0.0	4.5
Available without limitation	24.0	5.0	–0.6	4.4	3.8
Total tax loss carryforwards as of December 31	**29.8**	**5.7**	**–1.3**	**4.4**	**9.6**

2021

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	**Unrecognized TLCF**
Expiring in the next 3 years	–	–	–	–	–
Expiring in 4–7 years	1.7	0.6	–	0.6	–
Available without limitation	15.1	2.3	–0.4	1.9	3.2
Total tax loss carryforwards as of December 31	**16.8**	**2.9**	**–0.4**	**2.5**	**3.2**

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets have been recognized on tax loss carryforwards in the amount of CHF 9.6 million (2021: CHF 3.2 million).

12 Goodwill and other intangible assets

						2022
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationships	Total
Acquisition cost						
Balance as of January 1	258.0	78.5	6.0	17.8	231.8	592.2
Acquired through business combination	5.2	1.3	–	–	6.9	13.4
Deconsolidation of medmix Poland	–	–0.0	–	–0.1	–	–0.2
Additions	–	0.0	0.0	2.1	–	2.2
Disposals	–	–	–	–0.1	–	–0.1
Currency translation differences	–8.8	–0.4	–0.2	–0.7	–7.7	–17.8
Balance as of December 31	**254.4**	**79.4**	**5.8**	**19.1**	**231.0**	**589.7**
Accumulated amortization and impairment losses						
Balance as of January 1	–	66.6	4.5	14.1	113.0	198.3
Deconsolidation of medmix Poland	–	–0.0	–	–0.1	–	–0.1
Additions	–	2.6	0.4	1.3	16.5	20.8
Disposals	–	–	–	–0.1	–	–0.1
Impairments	–	–	–	–	–	–
Currency translation differences	–	–0.3	–0.2	–0.1	–3.5	–4.1
Balance as of December 31	**–**	**69.0**	**4.7**	**15.1**	**126.0**	**214.8**
Net book value						
As of January 1	258.0	11.9	1.5	3.7	118.8	393.9
As of December 31	254.4	10.4	1.2	3.9	104.9	374.9

						2021
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationships	Total
Acquisition cost						
Balance as of January 1	265.4	78.6	5.6	15.7	237.4	602.7
Acquired through business combination	–	–	–	–	–	–
Additions	–	–	0.5	1.5	–	2.1
Disposals	–	–	–0.0	–0.1	–	–0.1
Currency translation differences	–7.4	–0.1	–0.2	0.7	–5.6	–12.5
Balance as of December 31	**258.0**	**78.5**	**6.0**	**17.8**	**231.8**	**592.2**
Accumulated amortization and impairment losses						
Balance as of January 1	–	64.0	4.0	13.3	97.3	178.6
Additions	–	2.9	0.5	1.0	17.7	22.2
Disposals	–	–	–0.0	–0.1	–	–0.1
Impairments	–	–	0.1	–	–	0.1
Currency translation differences	–	–0.3	–0.2	–0.0	–2.1	–2.6
Balance as of December 31	**–**	**66.6**	**4.5**	**14.1**	**113.0**	**198.3**
Net book value						
As of January 1	265.4	14.7	1.6	2.4	140.0	424.1
As of December 31	258.0	11.9	1.5	3.7	118.8	393.9

Goodwill impairment test

	2022			
millions of CHF	Goodwill	Headroom	Growth rate residual value	Pretax discount rate
Healthcare	69.9	1'604.3	2.0%	7.9%
Consumer & Industrial	184.5	375.8	2.0%	9.5%
Total as of December 31	**254.4**	**1'980.1**		

	2021			
millions of CHF	Goodwill	Headroom	Growth rate residual value	Pretax discount rate
Healthcare	58.2	1'976.0	2.0%	5.6%
Consumer & Industrial	199.8	855.2	2.0%	5.6%
Total as of December 31	**258.0**	**2'831.2**		

Goodwill is allocated to the smallest cash-generating unit at which goodwill is monitored for internal management purposes (i.e., business area). The recoverable amount of these units is determined over a five-year cash flow projection period.

The calculation is based on the budget for the first period (2022), the three-year strategic plan for the subsequent two periods (2023–2024) and a management calculation for the next two periods (2025–2026). The budget and the three-year strategic plan were approved by the Board of Directors in February 2022. Cash flows beyond the planning period are extrapolated using a terminal value including the growth rates as stated above.

As of December 31, 2022, there is no indication for goodwill impairment. Updating the impairment test would not have resulted in a goodwill impairment.

Sensitivity analyses

The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations significantly impacted by the terminal growth rate used to determine the residual value, the discount rate and the projected cash flows. The table above shows the amount by which the estimated recoverable amount of the CGU exceeds its carrying amount (headroom).

Management determined there are no reasonably possible changes in key assumptions that would result in a goodwill impairment.

13 Property, plant and equipment

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
					2022
Acquisition cost					
Balance as of January 1	68.9	218.6	17.1	22.6	327.1
Acquired through business combination	–	0.9	–	–	0.9
Deconsolidation of medmix Poland	–0.3	–22.9	–0.4	–1.8	–25.3
Additions	0.3	7.3	1.3	27.5	36.4
Disposals	–1.0	–7.1	–1.2	–	–9.3
Reclassifications	2.3	12.9	1.5	–16.8	–
Currency translation differences	–2.2	–6.2	–0.6	–0.5	–9.5
Balance as of December 31	**68.0**	**203.6**	**17.7**	**31.0**	**320.3**
Accumulated depreciation					
Balance as of January 1	24.6	131.4	7.1	0.6	163.7
Deconsolidation of medmix Poland	–0.1	–12.2	1.9	–	–10.4
Additions	3.0	15.7	1.6	–	20.3
Disposals	–0.5	–6.0	–1.0	–0.6	–8.0
Impairments	–	1.5	0.0	–	1.5
Currency translation differences	–0.3	–3.8	–0.2	–	–4.4
Balance as of December 31	**26.7**	**126.6**	**9.3**	**–**	**162.7**
Net book value					
As of January 1	44.2	87.1	9.9	22.0	163.3
As of December 31	41.3	76.9	8.4	31.0	157.6

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
					2021
Acquisition cost					
Balance as of January 1	44.9	204.0	16.3	45.7	310.8
Acquired through business combination	–	–	–	–	–
Additions	2.8	8.6	1.2	17.2	29.8
Disposals	–0.2	–4.5	–2.0	–	–6.6
Reclassifications	22.6	12.6	1.8	–37.0	–
Currency translation differences	–1.2	–2.2	–0.3	–3.3	–6.9
Balance as of December 31	**68.9**	**218.6**	**17.1**	**22.6**	**327.1**
Accumulated depreciation					
Balance as of January 1	23.5	118.8	7.5	–	149.8
Additions	2.7	17.4	1.5	–	21.6
Disposals	–0.2	–4.4	–1.9	–	–6.5
Impairments	–	0.2	–	0.6	0.8
Currency translation differences	–1.4	–0.6	–0.0	–	–1.9
Balance as of December 31	**24.6**	**131.4**	**7.1**	**0.6**	**163.7**
Net book value					
As of January 1	21.4	85.2	8.8	45.7	161.0
As of December 31	44.2	87.1	9.9	22.0	163.3

The group performed impairment tests on production machines and facilities, resulting in impairments of CHF 1.5 million as of December 31, 2022 (December 31, 2021: CHF 0.8 million), all of which were charged to other operating expenses.

In 2022, the group sold property, plant and equipment with a net book value of CHF 1.3 million for CHF 1.3 million, resulting in a net gain of CHF 0.0 million (2021: property, plant and equipment with a net book value of CHF 0.1 million sold for CHF 0.2 million, resulting in a net gain of CHF 0.1 million).

14 Leases

Lease assets

				2022
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Balance as of January 1	46.6	18.4	1.3	66.2
Deconsolidation of medmix Poland	–3.2	–1.6	–	–4.8
Additions	17.9	2.9	0.3	21.1
Disposals	–0.0	–0.0	–0.0	–0.0
Depreciation	–6.6	–1.4	–0.5	–8.5
Remeasurements and contract modifications	0.2	–	–	0.2
Currency translation differences	–1.3	–0.7	–0.1	–2.1
Total lease assets as of December 31	**53.5**	**17.6**	**1.0**	**72.1**

				2021
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Balance as of January 1	41.7	3.6	0.9	46.1
Additions	10.0	17.1	1.0	28.2
Disposals	–0.3	–0.8	–0.1	–1.1
Depreciation	–5.8	–0.8	–0.5	–7.1
Remeasurements and contract modifications	–1.1	–	–	–1.1
Currency translation differences	2.0	–0.7	–0.0	1.3
Total lease assets as of December 31	**46.6**	**18.4**	**1.3**	**66.2**

Lease liabilities

millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
			2022
Balance as of January 1	57.8	7.9	65.7
Deconsolidation of medmix Poland	–3.4	–1.1	–4.5
Additions	19.3	1.8	21.1
Interest expenses	0.9	0.1	1.0
Cash flow for repayments – principal portion	–0.4	–8.4	–8.9
Cash flow for repayments – interest portion	–0.9	–0.1	–1.0
Remeasurements and contract modifications	0.2	–	0.2
Reclassifications	–9.2	9.2	–
Currency translation differences	–1.9	–0.3	–2.1
Total lease liabilities as of December 31	**62.5**	**9.0**	**71.5**

millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
			2021
Balance as of January 1	39.9	6.4	46.2
Additions	25.9	2.2	28.2
Interest expenses	0.6	0.1	0.7
Cash flow for repayments – principal portion	–1.1	–6.8	–8.0
Cash flow for repayments – interest portion	–0.6	–0.1	–0.7
Remeasurements and contract modifications	0.3	–0.2	0.1
Reclassifications	–6.4	6.4	–
Currency translation differences	–0.7	–0.1	–0.8
Total lease liabilities as of December 31	**57.8**	**7.9**	**65.7**

Other leasing disclosures

millions of CHF	2022	2021
Recognized in the income statement		
Expenses relating to short-term leases	–1.1	–1.8
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	–0.2	–0.5
Expenses relating to variable lease payments not included in the lease liability	–0.3	–0.3
Income from subleasing right-of-use assets	0.1	0.1
Interest expenses on lease liabilities	–1.0	–0.7
Total recognized in the income statement	**–2.5**	**–3.2**
Recognized in the statement of cash flows		
Cash flow for short-term, low-value and variable leases (included within cash flow from operating activities)	–1.6	–2.6
Cash flow from subleasing right-of-use assets (included within cash flow from operating activities)	0.1	0.1
Cash flow for repayments of interest on lease liabilities (included within cash flow from operating activities)	–1.0	–0.7
Cash flow for repayments of the principal portion on lease liabilities (included within cash flow from financing activities)	–8.9	–8.0
Cash flow from subsidies for lease payments (included within cash flow from financing activities)	–	0.8
Total cash outflow	**–11.4**	**–10.3**

15 Deconsolidation of medmix Poland

On May 16, 2022, the group announced a suspension of operations at its manufacturing site in Wroclaw, Poland, as a result of sanctions levied by the Polish government. The sanctions apply to medmix' minority shareholder, Viktor Vekselberg, but have been extended to medmix Poland Sp. z o.o. (medmix Poland), even though Viktor Vekselberg has no control or ownership of any medmix entities and is deprived of all his economic rights in medmix.

On May 23, 2022, the Polish Ministry of the Interior and Administration denied the group's urgent request for removal from the Polish sanctions list. Therefore, the group started to relocate production to other countries. Appeals to the Polish administration are continuing and medmix is pushing for a speedy outcome, with the full support of the Swiss government administration.

As of June 30, 2022, the group assessed whether it still controls medmix Poland and concluded that there is a temporary loss of control. However, it was more likely than not that the group would regain control before the end of the year and therefore the group's management decided to include the financial statements of medmix Poland in the consolidated financial statements as of June 30, 2022. As another consequence, the group reviewed the balance sheet of medmix Poland and assessed if indications for impairments of assets existed. No impairments were recognized as of June 30, 2022.

As of December 31, 2022, the group assessed whether it still controls medmix Poland and concluded that the group lost control at the end of April 2022, the date the sanctions were levied by the Polish government. As a result, the group stopped consolidating medmix Poland by derecognizing the assets and liabilities of the subsidiary including any components of other comprehensive income (OCI) attributable to the entity. Total net assets at the time of deconsolidation amounted to CHF 12.5 million and currency translation differences accumulated in OCI amounted to CHF 3.0 million, which resulted in a total loss from deconsolidation of CHF 15.4 million as stated below.

Net assets derecognized

millions of CHF	April 30, 2022
Other intangible assets	0.0
Property, plant and equipment	15.0
Lease assets	4.8
Deferred income tax assets	0.2
Other non-current assets	–0.0
Cash and cash equivalents	2.0
Inventory	7.8
Trade accounts receivable	2.5
Other current assets	–0.0
Borrowings	–11.5
Lease liabilities	–4.5
Provisions	–0.1
Other liabilities	–3.9
Net assets derecognized	**12.5**

Loss on net assets derecognized and retained investment

millions of CHF	April 30, 2022
Net assets derecognized	–12.5
Currency translation differences recycled into the income statement	–3.0
Fair value on retained investment	–
Loss on net assets derecognized and retained investment	**–15.4**

The group also remeasured the investment in medmix Poland to its fair value, which was assessed to be zero at initial recognition and as of December 31, 2022.

Amounts owed to and from medmix Poland before losing control have been reclassified from intercompany receivables, loans and payables to third party receivables, loans and payables in the total net assets amount of CHF 11.8 million. The related assets have been tested for impairment based on the expected credit loss model. As a result of the impairment test and to reflect the existing credit risk, the group recognized a fifty percent loss allowance of CHF 5.9 million, calculated based on the net amount owed by medmix Poland.

Impairments

	2022		
millions of CHF	Gross amount	Impairments	Net book value
Non-current financial assets	11.2	–4.7	6.5
Trade accounts receivable	2.3	–1.1	1.2
Other current receivables and prepaid expenses	0.3	–0.1	0.2
Trade accounts payable	–2.0	–	–2.0
Total exposure against medmix Poland	**11.8**	**–5.9**	**5.9**

On January 11, 2023, the group announced negotiations for the sale of its Polish entity, following its decision to stop production in Wroclaw, Poland. Since sanctions on its Polish subsidiary were first imposed in April 2022, the group has unequivocally stated that the sanctions are erroneous. While the group continues to appeal these local administrative decisions that are based on a misunderstanding of its governance and shareholding structure, medmix has entered into negotiations to dispose of its Polish legal entity and to exit operations in Poland, subject to regulatory approvals.

16 Inventory

millions of CHF	2022	2021
Raw materials, supplies and consumables	26.8	20.9
Work in progress	23.6	20.4
Finished products and trade merchandise	41.4	37.9
Total inventory as of December 31	**91.8**	**79.2**

In 2022, the group recognized write-downs of CHF 5.8 million (2021: CHF 2.4 million) in the income statement, thereof CHF 2.6 million related to Poland (see note 9 for further details). The write-downs were partly offset by the release of unused write-downs of CHF 1.6 million (2021: CHF 0.5 million). Total accumulated write-downs on inventory amounted to CHF 12.6 million as of December 31, 2022 (2021: CHF 9.8 million). Material expenses in 2022 amounted to CHF 114.1 million (2021: CHF 116.9 million).

17 Assets and liabilities related to contracts with customers

millions of CHF	2022	2021
Revenue recognized over time related to ongoing performance obligations	3.0	2.6
Revenue recognized over time related to satisfied performance obligations	0.5	–
Revenue recognized over time	**3.5**	**2.6**
Revenue recognized at a point in time	473.6	454.7
Revenue	**477.1**	**457.3**
– thereof revenue recognized included in the contract liability balance at the beginning of the period	4.3	5.0
Cost of goods sold recognized over time related to ongoing performance obligations	–1.4	–2.2
Cost of goods sold recognized over time related to satisfied performance obligations	–	–
Cost of goods sold recognized over time	**–1.4**	**–2.2**
Cost of goods sold recognized at a point in time	–300.3	–273.9
Cost of goods sold	**–301.7**	**–276.1**
Gross profit recognized over time related to ongoing performance obligations	1.6	0.4
Gross profit recognized over time related to satisfied performance obligations	0.5	–
Gross profit recognized over time	**2.1**	**0.4**
Gross profit recognized at a point in time	173.3	180.8
Gross profit	**175.4**	**181.2**
Contract assets from revenue recognized over time relating to ongoing performance obligations	7.5	2.7
Netting with contract liabilities	–6.5	–2.7
Contract assets	**1.0**	**–**
Contract liabilities from costs recognized over time relating to ongoing performance obligations	–	0.2
Advance payments from customers relating to point in time contracts	3.9	2.6
Advance payments from customers relating to over time contracts	6.5	4.2
Netting with contract assets	–6.5	–2.7
Contract liabilities	**3.9**	**4.3**
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	155.5	155.9
– thereof expected to be recognized as revenue within 12 months	155.5	148.0

18 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value
				2022
Not past due	0.3%	46.6	–0.1	46.4
Past due				
1–30 days	7.2%	7.9	–0.6	7.3
31–60 days	3.8%	3.1	–0.1	3.0
61–120 days	10.8%	1.2	–0.1	1.0
>120 days	43.1%	3.2	–1.4	1.8
Total trade accounts receivable as of December 31		**61.9**	**–2.3**	**59.6**

millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value
				2021
Not past due	0.1%	19.4	–0.0	19.4
Past due				
1–30 days	0.1%	6.9	–0.0	6.9
31–60 days	2.7%	1.5	–0.0	1.5
61–120 days	19.5%	0.8	–0.2	0.7
>120 days	99.8%	1.1	–1.1	0.0
Total trade accounts receivable as of December 31		**29.8**	**–1.3**	**28.5**

Allowance for doubtful trade accounts receivable

millions of CHF	2022	2021
Balance as of January 1	1.3	1.3
Additions	1.6	0.1
Released as no longer required	–0.6	–
Utilized	–0.1	–0.1
Currency translation differences	–0.0	0.0
Balance as of December 31	**2.3**	**1.3**

Approximately 25% (2021: 35%) of the gross amount of trade accounts receivable was past due and an allowance of CHF 2.3 million (2021: CHF 1.3 million) was recorded. The recoverability of trade accounts receivable is regularly reviewed, and the credit quality of new customers is thoroughly assessed. Due to the large and heterogeneous customer base, the credit risk from individual customers of the group is limited. The allowance for doubtful trade accounts receivable is based on expected credit losses. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP).

Accounts receivable by geographical region

millions of CHF	2022	2021
Europe, the Middle East and Africa	**38.6**	**17.9**
– thereof Germany	17.0	11.4
– thereof Switzerland	18.8	4.9
Americas	**18.7**	**7.2**
Asia-Pacific	**2.3**	**3.4**
Total as of December 31	**59.6**	**28.5**

19 Other current receivables and prepaid expenses

millions of CHF	2022	2021
Taxes (VAT, withholding tax)	4.5	7.3
Derivative financial instruments	2.3	2.1
Other current receivables	1.4	1.6
Total other current receivables as of December 31	**8.2**	**11.0**
Prepaid expenses	7.6	5.6
Total prepaid expenses as of December 31	**7.6**	**5.6**
Total other current receivables and prepaid expenses as of December 31	**15.8**	**16.6**

20 Cash and cash equivalents

millions of CHF	2022	2021
Cash	105.4	209.1
Cash equivalents	208.1	0.8
Total cash and cash equivalents as of December 31	**313.5**	**209.8**

Cash and cash equivalents as of December 31, 2022 amounted to CHF 313.5 million (2021: CHF 209.8 million). Cash equivalents represent mainly fixed-term deposits with maturities up to 3 months from the acquisition date. Further details are disclosed in the consolidated statement of cash flows.

21 Equity

Share capital

	2022		2021	
thousands of CHF	Number of shares	Share capital	Number of shares	Share capital
Balance as of December 31 (par value CHF 0.01)	**41’262’370**	**412.6**	**41’262’370.0**	**412.6**

The share capital amounts to CHF 412’623.70, made up of 41’262’370 shares with dividend entitlement and a par value of CHF 0.01. All shares were fully paid in and registered.

As of December 31, 2022, and as of December 31, 2021, the company had a remaining authorized share capital of CHF 10’000.00, corresponding to 1’000’000 shares at a nominal value of CHF 0.01 each. The Board of Directors is authorized to increase the share capital of the company by the aforementioned remaining amount, at any time, until September 20, 2023.

Share ownership

medmix shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees will only be entered in the share register with the right to vote provided that they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into an agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register, provided that the above-mentioned conditions are met (see also paragraph 6a of the Articles of Association at https://medmix.swiss/en/Investors/Governance).

	Dec 31, 2022		Dec 31, 2021	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16'728'414	40.54	16'728'414	40.54
The Capital Group Companies, Inc. (direct shareholder: Capital Research and Management Company)	2'065'631	5.01	2'065'631	5.01
FIL Limited	2'025'719	4.90	2'025'719	4.90
UBS Fund Management (Switzerland) AG	1'489'532	4.35	1'489'532	4.35

Retained earnings

The retained earnings include prior years' undistributed income of consolidated companies and all remeasurements of the net liability for defined benefit plans.

Treasury shares

In 2022, the group acquired in total 200'000 treasury shares (2021: 150'000 shares) to cover its existing exposure from share-based payment programs for consideration of CHF 6.1 million (December 31, 2021: CHF 6.5 million). During 2022, the group allocated 2'464 shares to share plan participants (2021: 0 shares) for a total value of CHF 0.1 million. The total number of shares held by the group as of December 31, 2022, amounted to 347'536 (December 31, 2021: 150'000 shares).

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. Amounts are reclassified to profit or loss when the associated hedged transaction affects the income statement.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of consolidated entities whose currency differs from the reporting currency of the group.

Dividends

On April 12, 2022, the Annual General Meeting approved an ordinary dividend of CHF 0.50 per share to be paid out of reserves. The dividend was paid to shareholders on April 20, 2022. The total amount of the dividend to shareholders of medmix Ltd is CHF 20.5 million, thereof paid dividends of CHF 15.0 million and unpaid dividends of CHF 5.5 million. The outstanding dividend payments are reflected in the balance sheet position "Other current and accrued liabilities".

In 2021, prior to the spin-off, the group distributed dividends amounting to CHF 41.3 million to the Sulzer group. No dividends were declared or paid from September 20, 2021 to December 31, 2021.

The Board of Directors has decided to propose to the Annual General Meeting 2023 a dividend for the financial year 2022 of CHF 0.50 per share.

Contribution to the Sulzer group

For 2022, the contribution to the Sulzer group of CHF –0.4 million is related to the vested Sulzer shares under the existing Sulzer share plans. For the year 2021, the contribution to the Sulzer group of CHF –104.1 million was primarily related to the debt split between Sulzer and medmix and to the legal ownership change of two medmix entities.

As part of the debt split between the group and the Sulzer group during 2021, the unfulfilled part of a loan agreement, namely the repayment and interest payment obligations under the loan agreement amounting in total to CHF 80.2 million, was transferred to the group in the course of the spin-off, while the loan proceeds remained with the Sulzer group. Consequently, retained earnings of the group decreased by CHF 80.2 million and the effect is disclosed as a contribution to the Sulzer group in the statement of changes in equity.

During 2021, the group acquired Sulzer Mixpac (UK) from the Sulzer group for CHF 17.9 million. Sulzer Mixpac (UK) already formed part of the group for the purpose of issuing the combined and carve-out financial statements for the medmix business in 2020. The purchase price is disclosed as contribution to the Sulzer group in the statement of equity.

22 Earnings per share

	2022	2021
Net income attributable to shareholders of medmix Ltd (millions of CHF)	**11.6**	**44.0**
Issued number of shares	41’262’370	41’262’370
Adjustment for the average number of treasury shares held	–304’626	–100’931.0
Average number of shares outstanding as of December 31	**40’957’744**	**41’161’439**
Adjustment for share participation plans	142’278.0	–
Average number of shares for calculating diluted earnings per share as of December 31	**41’100’022**	**41’161’439**
Earnings per share, attributable to a shareholder of medmix Ltd (in CHF) as of December 31		
Basic earnings per share	0.28	1.07
Diluted earnings per share	0.28	1.07

The earnings per share calculation as of December 31, 2021, is based the on pro forma number of shares at the spin-off rather than historical and is a continuation of the carve-out financial statements.

23 Borrowings

millions of CHF	Non-current borrowings	Current borrowings	Total
			2022
Balance as of January 1	238.9	16.3	255.3
Cash flow from proceeds	–	310.5	310.5
Cash flow for repayments	–3.0	–161.6	–164.6
Changes in amortized costs	1.0	–	1.0
Reclassifications	10.0	–10.0	–
Currency translation differences	–0.1	–0.1	–0.2
Total borrowings as of December 31	**246.9**	**155.1**	**402.0**

millions of CHF	Non-current borrowings	Current borrowings	Total
			2021
Balance as of January 1	239.5	46.5	286.0
Cash flow from proceeds	265.2	107.6	372.8
Cash flow for repayments	–255.1	–245.9	–501.0
Contribution from/to Sulzer group	–1.4	97.8	96.4
Reclassifications	–10.0	10.0	–
Currency translation differences	0.7	0.4	1.0
Total borrowings as of December 31	**238.9**	**16.3**	**255.2**

In 2021, the group arranged two committed syndicated credit facilities (A and B) for a total amount of CHF 400.0 million, both maturing in September 2027. The credit facilities include two one-year extension options (subject to lenders’ approval), of which the first extension option has been selected by the group and approved by the lenders.

- Facility A: Syndicated term loan for an amount of CHF 250.0 million. As of December 31, 2022 and 2021, the facility was fully utilized. The semi-annual instalments of CHF 10.0 million have been cancelled on request of the group by unanimous consent from the lenders, the full amount for facility A is available until September 2027.
- Facility B: Syndicated revolving credit facility for an amount of CHF 150.0 million. The credit facility can be drawn until one month before maturity and includes a further option to increase the credit facility by CHF 75.0 million (subject to lenders’ approval). As of December 31, 2022 the facility was fully utilized, and as of December 31, 2021, the facility was not used.

Borrowings by currency

	2022		
	millions of CHF	in %	Interest rate
CHF	400.7	99.7	1.4%
EUR	1.2	0.3	1.8%
USD	0.1	0.0	0.9%
Total as of December 31	**402.0**	**100.0**	–

	2021		
	millions of CHF	in %	Interest rate
CHF	246.9	96.7	1.0%
EUR	8.0	3.1	0.3%
GBP	0.4	0.1	1.0%
USD	0.0	0.0	0.9%
Total as of December 31	**255.2**	**100.0**	–

24 Provisions

					2022
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Other	Total
Balance as of January 1	4.3	1.8	0.2	4.5	10.8
Deconsolidation of medmix Poland	–	–	–	–0.1	–0.1
Additions	2.2	0.6	1.2	3.4	7.3
Released as no longer required	–0.7	–1.1	–0.0	–2.2	–4.0
Utilized	–0.9	–	–0.9	–2.4	–4.3
Currency translation differences	–0.1	–0.0	–0.0	–0.3	–0.4
Total provisions as of December 31	**4.8**	**1.2**	**0.3**	**2.9**	**9.3**
– thereof non-current	3.4	–	–	0.2	3.6
– thereof current	1.5	1.2	0.3	2.7	5.7

					2021
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Other	Total
Balance as of January 1	4.0	1.3	5.8	8.7	19.9
Additions	1.6	1.2	0.5	8.2	11.5
Released as no longer required	–	–0.6	–0.2	–1.7	–2.5
Utilized	–1.3	–0.1	–6.0	–8.2	–15.6
Currency translation differences	–0.0	0.0	–0.0	–2.5	–2.6
Total provisions as of December 31	**4.3**	**1.8**	**0.2**	**4.5**	**10.8**
– thereof non-current	3.3	–	–	0.2	3.5
– thereof current	1.0	1.8	0.2	4.3	7.2

The category "Other employee benefits" includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees.

The category "Warranties/liabilities" includes provisions for warranties, customer claims, penalties, litigation and legal cases relating to goods delivered or services rendered.

"Other" includes provisions that do not fit into the aforementioned categories. Although the group expects a large part of the category "Other" to be realized in one year, by their nature, the amounts and timing of any cash outflows are difficult to predict.

25 Other current and accrued liabilities

millions of CHF	2022	2021
Outstanding dividend payments	5.5	–
Taxes (VAT, withholding tax)	1.6	1.1
Derivative financial instruments	0.4	0.2
Contingent consideration	–	0.0
Other current liabilities	1.4	1.9
Total other current liabilities as of December 31	**8.9**	**3.3**
Contract-related costs	0.6	0.6
Salaries, wages and bonuses	9.6	11.1
Vacation and overtime claims	3.0	2.7
Accrued expenses and deferred income	23.0	14.0
Total accrued liabilities as of December 31	**36.3**	**28.4**
Total other current and accrued liabilities as of December 31	**45.2**	**31.7**

26 Derivative financial instruments

	2022				2021			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
millions of CHF	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange rate contracts	144.1	2.3	80.0	0.4	168.4	2.1	24.7	0.2
Total as of December 31	**144.1**	**2.3**	**80.0**	**0.4**	**168.4**	**2.1**	**24.7**	**0.2**
– thereof due in <1 year	144.1	2.3	80.0	0.4	168.4	2.1	24.7	0.2

Cash flow hedge reserve

The notional value and the fair value of derivative assets and liabilities include current and non-current derivative financial instruments. The cash flow hedges of the expected future revenues were assessed as highly effective. The following tables present the cash flow hedge reserve as of December 31, 2022, and 2021.

			2022
millions of CHF	Gross amount	Deferred taxes	Net book value
Balance as of January 1	**–0.6**	**0.1**	**–0.6**
Fair value adjustments	–1.5	–0.2	–1.7
Reclassified to profit or loss	2.9	–	2.9
Balance as of December 31	**0.8**	**–0.1**	**0.7**

			2021
millions of CHF	Gross amount	Deferred taxes	Net book value
Balance as of January 1	**–**	**–**	**–**
Fair value adjustments	–0.6	0.1	–0.6
Reclassified to profit or loss	–	–	–
Balance as of December 31	**–0.6**	**0.1**	**–0.6**

There was no ineffectiveness that arose from cash flow hedges in 2022 (2021: 0.0 million). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The hedged, highly probable forecast transactions denominated in foreign currencies are mostly expected to occur at various dates during the next 12 months. Gains and losses recognized in the cash flow hedge reserve (cash flow hedges) in equity on forward foreign exchange contracts as of December 31, 2022, are recognized either in revenues, cost of goods sold or other operating income/expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months of the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (5 to 10 years).

The group enters into derivative financial instruments under enforceable master netting arrangements. These agreements do not meet the criteria for offsetting derivative assets and derivative liabilities in the consolidated balance sheet. As of December 31, 2022, the amount subject to such netting arrangements was CHF 0.4 million (2021: CHF 0.2 million). Considering the effect of these agreements, the amount of derivative assets would reduce from CHF 2.3 million to CHF 1.9 million (2021: from CHF 2.1 million to CHF 1.9 million) and the amount of derivative liabilities would reduce from CHF 0.4 million to CHF 0.0 million (2021: from CHF 0.2 million to CHF 0.0 million).

27 Contingent liabilities

The separation from Sulzer Ltd was effected by way of a symmetrical demerger in 2021 according to the Swiss Merger Act. Under the merger act, the group may be held liable by creditors of Sulzer Ltd who may be able to enforce certain claims existing at the time of the spin-off or having their basis prior to the spin-off against the group.

28 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	2022	2021
Restricted share unit plan	0.4	0.0
Performance share plan	1.3	1.1
Total charged to personnel expenses	**1.8**	**1.1**

Restricted share unit plan settled in medmix shares

This long-term incentive plan covers the Board of Directors. Restricted share units (RSUs) are granted annually. Awards to members of the Board of Directors automatically vest with the departure from the Board. The plan features graded vesting over a three-year period. One RSU award is settled with one medmix share at the end of the vesting period. The fair value of the RSUs granted is measured at the grant date closing share price of medmix Ltd, and discounted over the vesting period using a discount rate that is based on the yield of Swiss government bonds for the duration of the vesting period. Participants are not entitled to dividends declared during the vesting period. Consequently, the grant date fair value of the RSUs is reduced by the present value of the dividends expected to be paid during the vesting period.

Restricted share units

Grant year	2022	2021	Total
Outstanding as of January 1, 2021	–	–	–
Granted	–	3'681	3'681
Exercised	–	–	–
Forfeited	–	–	–
Expired	–	–	–
Outstanding as of January 1, 2022	**–**	**3'681**	**3'681**
Granted	16'797	–	16'797
Exercised	–	–1'851	–1'851
Forfeited	–	–	–
Expired	–	–	–
Outstanding as of December 31, 2022	**16'797**	**1'830**	**18'627**
Average fair value at grant date in CHF	32.08	43.92	-

Performance share plan settled in medmix shares

This long-term incentive plan covers the members of the Executive Committee and other selected individuals employed in defined roles. Performance share units (PSU) are granted annually, depending on the organizational position of the employee. Given the spin-off of medmix from Sulzer in 2021, the first regular grant of the medmix PSP occurred in 2022.

Vesting of the PSP is based on the achievement of three pre-determined performance conditions:

- Growth: Measured by the revenue of medmix based on the consolidated financial statement, weighted with 30%.
- Profitability: Measured by the adjusted EBITDA margin, weighted with 30%.
- Share performance: Measured by the relative share price development in comparison to the Swiss Performance Index excluding dividends, weighted with 40%.

Share performance is measured with a starting value of the average share price over the first three months prior to the start of the 3-year performance period and an ending value of the average share price over the last three months of the vesting period. The number of vested PSUs will be determined by multiplying the number of originally granted PSUs by the total achievement factor, rounded up to the next full number of vested PSUs. For each vested PSU, one medmix share will be transferred to the individual plan participant on the share delivery date.

The following inputs were used to determine the fair value of the PSUs at grant date using a Monte Carlo simulation:

Grant year	2022
Fair value at grant date	31.81
Share price at grant date	32.90
Expected volatility	36.83%
Risk-free interest rate	0.39%

The expected volatility of the medmix shares is determined by the historical volatility. The zero-yield curve from Switzerland was used as the relevant risk-free rate. Historical data was used to arrive at an estimate for the correlation between medmix and the Swiss Performance Index.

Performance share units — terms of awards

Grant year	2022
Number of awards granted	127’194
Grant date	1-Apr-22
Performance period	01/22–12/24
Fair value at grant date in CHF	31.81

Performance share units

Grant year	2022
Outstanding as of January 1, 2022	–
Granted	127’194
Exercised	–613
Forfeited	–2’930
Outstanding as of December 31, 2022	**123’651**

Performance share plan settled in Sulzer shares

Prior to the spin-off from the Sulzer group, employees of the group participated in the Sulzer long-term incentive plan. The share-based payment expenses have been calculated based on the number of performance share units (PSU) received under the Sulzer performance share plan (PSP) until the date of the spin-off. The PSP will vest at the end of the original vesting period on a pro rata temporis basis by comparing the effective service period until the date of the spin-off with the original service period of three years. The actual performance factors will be measured at the end of the vesting period. Accordingly, the group disclosed the relevant information for the Sulzer PSP.

Vesting of the PSP is based on three performance conditions: Sulzer operational income growth over the performance period before restructuring, amortization, impairments and non-operational items (operational profit) (weighted 25%), Sulzer average operational return on capital employed (operational ROCEA) (weighted 25%), and Sulzer’s total shareholder return (TSR), compared to a selected group of peer companies (weighted 50%).

TSR is measured with a starting value of the volume-weighted average share price (VWAP) over the first three months of the first year and an ending value of the VWAP over the last three months of the vesting period. The rank of Sulzer’s TSR at the end of the performance period determines the effective number of total shares. The exercise price of the PSU is zero.

The following inputs were used to determine the fair value of the PSUs at grant date using a Monte Carlo simulation:

Grant year	2022	2021	2020	2019	2018
Fair value at grant date	n/a	124.95	78.18	115.95	143.62
Share price at grant date	n/a	101.12	76.05	92.46	120.60
Expected volatility	n/a	34.68%	37.45%	29.64%	29.12%
Risk-free interest rate	n/a	–0.58%	–0.64%	–0.57%	–0.42%

The expected volatility of the Sulzer shares and the peer group companies is determined by the historical volatility. The zero-yield curves of those countries in which the companies and indices are listed were used as the relevant risk-free rates. Historical data was used to arrive at an estimate for the correlation between Sulzer and the peer companies. For the TSR calculation, all dividends paid during the vesting period are added to the closing share price.

Performance share units — terms of awards

Grant year	2022	2021	2020	2019	2018
Number of awards granted	n/a	8'027	15'598	5'844	3'475
Grant date	n/a	April 1, 2021	June 1, 2020	April 1, 2019	July 1, 2018
Performance period for cumulative operational profit	n/a	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20
Performance period for TSR	n/a	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20
Fair value at grant date in CHF	n/a	124.95	78.18	115.95	143.62

Performance share units

Grant year	2022	2021	2020	2019	2018	Total
Outstanding as of January 1, 2021	**–**	**–**	**11’981**	**4’386**	**2’006**	**18’373**
Granted	–	8’769	–	–	–	8’769
medmix spin-off	–	1’426	3’810	2’139	–	7’375
Exercised	–	–	–	–	–2’006	–2’006
Forfeited	–	–6’093	–4’804	–360	–	–11’257
Outstanding as of December 31, 2021	**–**	**4’102**	**10’987**	**6’165**	**–**	**21’254**
Outstanding as of January 1, 2022	**–**	**4’102**	**10’987**	**6’165**	**–**	**21’254**
Employees transfer from Sulzer to medmix	–	1’748	2’505	–	–	4’253
Exercised	–	–274	–1’084	–6’165	–	–7’523
Forfeited	–	–536	–525		–	–1’061
Outstanding as of December 31, 2022	**–**	**5’040**	**11’883**	**–**	**–**	**16’923**

29 Transactions with members of the Board of Directors, Executive Committee and related parties

Key management compensation

	2022				2021			
thousands of CHF	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total
Board of Directors	489	551	82	1’122	86	161	22	269
Executive Committee	2’119	1’575	676	4’370	1’903	612	524	3’039

As of December 31, 2022, there were no outstanding loans with members of the Board of Directors or the Executive Committee.

Related parties

There are no transactions with related parties to disclose.

30 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 0.5 million (2021: CHF 0.6 million). Additional services provided by the group auditor amounted to a total of CHF 0.2 million (2021: CHF 0.1 million). This amount includes CHF 0.1 million (2021: CHF 0.1 million) for tax services and CHF 0.1 million for other services (2021: CHF 0.0 million).

31 Key accounting policies and valuation methods

31.1 Change in accounting policies

a) Standards, amendments and interpretations that were effective for 2022

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

b) Standards, amendments and interpretations issued but not yet effective, which the group decided not to adopt early in 2022

There are no IFRS standards or interpretations not yet effective that would be expected to have a material impact on the group.

31.2 Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree and the equity interest issued by the group. Any goodwill arising is tested annually for impairment. Any gain on a bargain purchase is recognized in the income statement immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

31.3 Consolidation

a) Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree, and the equity interest issued by the group. Any goodwill arising is tested annually for impairment. Any gain on a bargain purchase is recognized in the income statement immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the difference between the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to precombination service.

b) Subsidiaries

Subsidiaries are all entities controlled by the group. The group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

According to the full consolidation method, all assets and liabilities and income and expenses of the subsidiaries are included in the consolidated financial statements. The share of non-controlling interests in the net assets and results is presented separately as non-controlling interests in the consolidated balance sheet and income statement, respectively.

c) Non-controlling interests

The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

When the group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

d) Associates and joint ventures

Associates are those entities in which the group has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when the group holds, directly or indirectly, between 20% and 50% of the voting rights. Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Associates and joint ventures are accounted for using the equity method and are initially recognized at cost.

e) Transactions eliminated on consolidation

All material intercompany transactions and balances and any unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

31.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BoD). The BoD, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as chief operating decision maker.

31.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs (CHF).

The following table shows the major currency exchange rates:

	2022		2021	
CHF	Average rate	Year-end rate	Average rate	Year-end rate
EUR 1	1.00	0.98	1.08	1.03
GBP 1	1.18	1.11	1.26	1.23
USD 1	0.95	0.92	0.91	0.91
CNY 100	14.19	13.29	14.17	14.35

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

c) Subsidiaries

The results and balance sheet positions of all foreign operations that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.

Foreign exchange differences are taken to other comprehensive income. In the event of a sale or liquidation of foreign operations, exchange differences that were recorded in other comprehensive income are recognized in the income statement as part of the gain or loss on sale or liquidation.

If a loan is made to a group company, and the loan in substance forms part of the group’s investment in the group company, translation differences arising from the loan are recognized directly in other comprehensive income as foreign currency translation differences. When the group company is sold or partially disposed of, and control no longer exists, gains and losses accumulated in equity are reclassified to the income statement as part of the gain or loss on disposal.

31.6 Intangible assets

The intangible assets with finite useful life are amortized in line with the expected useful life, usually on a straight-line basis. The period of useful life is to be assessed according to business rather than legal criteria. This assessment is made at least once a year. An impairment might be required in the event of sudden or unforeseen value changes.

a) Goodwill

Goodwill represents the difference between the consideration transferred and the fair value of the group's share in the identifiable net asset value of the acquired business at the time of acquisition. Any goodwill arising as a result of a business combination is included within intangible assets.

Goodwill is subject to an annual impairment test and valued at its original acquisition cost less accumulated impairment losses. In cases where circumstances indicate a potential impairment, impairment tests are conducted more frequently. Profits and losses arising from the sale of a business include the book value of the goodwill assigned to the business being sold.

For impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill originating from the acquisition of an associated company is included in the book value of the participation in associated companies.

b) Trademarks and licenses

Trademarks, licenses and similar rights acquired from third parties are stated at acquisition cost. Such assets are amortized over their expected useful life, generally not exceeding 10 years.

c) Research and development

Expenditure on research activities is recognized in the income statement as incurred. Development costs for major projects are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in the income statement as incurred. Subsequently, such assets are measured at cost less accumulated amortization (max. five years) and any accumulated impairment loss.

d) Computer software

Acquired computer software licenses in control of the group are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to max. five years).

e) Customer relationships

As part of a business combination, acquired customer rights are recorded at fair value (cost at the time of acquisition). These costs are amortized over their estimated useful lives, generally not exceeding 15 years.

31.7 Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less depreciation and impairments. Acquisition cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful life. Land is stated at cost and is not depreciated.

The useful lives are as follows:
Buildings: 20–50 years
Machinery: 5–15 years
Technical equipment: 5–10 years
Other non-current assets: max. 5 years

31.8 Impairment of property, plant and equipment and intangible assets

Assets with a finite useful life are only tested for impairment if relevant events or changes in circumstances indicate that the book value is no longer recoverable. An impairment loss is recorded equal to the excess of the carrying value over the recoverable amount. The recoverable amount is the higher of the fair value of the asset less disposal costs and its value in use. The value in use is based on the estimated cash flow over a five-year period and the extrapolated projections for subsequent years. The results are discounted using an appropriate pretax, long-term interest rate. For the purposes of the impairment test, assets are grouped together at the lowest level for which separate cash flows can be identified (cash-generating units).

31.9 Lease assets and lease liabilities

The group recognizes lease assets and lease liabilities for most leases (these leases are on-balance-sheet leases). However, the group has elected not to recognize lease assets and lease liabilities for some leases of low- value assets and short-term leases. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group presents lease assets and lease liabilities as separate line items in the balance sheet.

The group recognizes lease assets and lease liabilities at the lease commencement date. The asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements. The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. In most cases, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised, or a termination option is reasonably certain not to be exercised.

31.10 Financial assets

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets measured at amortized cost

For debt instruments, classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The group reclassifies debt investments when and only when its business model for managing those assets changes.

Debt instruments

Financial assets at fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other operating income and expenses or other financial income and expenses, depending on the nature of the investment, in the period in which it arises.

Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. A gain or loss on an equity investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other operating income and expenses or other financial income and expenses, depending on the nature of the investment, in the period in which it arises.

31.11 Derivative financial instruments and hedging activities

The group uses derivative financial instruments, such as forward currency contracts and other forward contracts, to hedge its risks associated with fluctuations in foreign currencies arising from operational and financing activities. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on the derivatives during the year that do not qualify for hedge accounting are taken directly into profit or loss.

The group applies hedge accounting to secure the foreign currency risks of future cash flows that have a high probability of occurrence. These hedges are classified as "cash flow hedges", whereas the hedge instrument is recorded on the balance sheet at fair value and the effective portions are booked against "Other comprehensive income" in the column "Cash flow hedge reserve". If the hedge relates to a non-financial transaction that will subsequently be recorded on the balance sheet, the adjustments accumulated under "Other comprehensive income" at that time will be included in the initial book value of the asset or liability. In all other cases, the cumulative changes of fair value of the hedging instrument that have been recorded in other comprehensive income are included as a charge or credit to income when the forecasted transaction is recognized or when hedge accounting is discontinued as the criteria are no longer met.

At the inception of the transaction, the group documents the relationship between hedging instruments and hedged items and its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

31.12 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

31.13 Inventory

Raw materials, supplies and consumables are stated at the lower of cost or net realizable value. Finished products and work in progress are stated at the lower of production cost or net realizable value. Production cost includes the costs of materials, direct and indirect manufacturing costs, and contract-related costs of development. Inventory is valued by reference to weighted average costs. Provisions are made for slow-moving and excess inventory.

31.14 Trade receivables

Trade and other accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less allowances for doubtful trade accounts receivable.

The allowance for doubtful trade accounts receivable is based on expected credit losses. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP).

31.15 Cash and cash equivalents

Cash and cash equivalents comprise bills, postal giros and bank accounts, together with other short-term highly liquid investments with a maturity of three months or less from the date of acquisition. Bank overdrafts are reported within borrowings in the current liabilities.

31.16 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. When share capital is repurchased, the amount of the consideration paid, which includes directly attributable cost, is net of any tax effects and is recognized as a deduction from equity. 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 amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/ from retained earnings.

31.17 Trade payables

Trade payables and other payables are stated at face value. The respective value corresponds approximately to the amortized cost.

31.18 Borrowings

Financial debt is stated at fair value when initially recognized, after recognition of transaction costs. In subsequent periods, it is valued at amortized cost. Any difference between the amount borrowed (after deduction of transaction costs) and the repayment amount is reported in the income statement over the duration of the loan using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

31.19 Current and deferred income taxes

The current income tax charge comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The liability method is used to provide deferred taxes on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are valued by applying tax rates (and regulations) substantially enacted on the balance sheet date or any that have essentially been legally approved and are expected to apply at the time when the deferred tax asset is realized or the deferred tax liability is settled.

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that a taxable profit will be available against which they can be used. Deferred tax liabilities arising as a result of temporary differences relating to investments in subsidiaries and associated companies are applied, unless the group can control when temporary differences are reversed and it is unlikely that they will be reversed in the foreseeable future.

31.20 Employee benefits

a) Defined benefit plans

The group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and deducting the fair value of any plan assets.

The calculation of defined benefit assets/obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest income on plan assets), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expenses and other expenses related to defined benefit plans are recognized in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the income statement. The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

b) Defined contribution plans

Defined contribution plans are defined as pure savings plans, under which the employer makes certain contributions into a separate legal entity (fund) and does not have a legal or an extendible (constructive) liability to contribute any additional amounts in the event this entity does not have enough funds to pay out benefits. A “constructive” commitment exists when it can be assumed that the employer will voluntarily make additional contributions in order not to endanger the relationship with its employees. Company contributions to such plans are considered in the income statement as personnel expenses.

c) Other employee benefits

Some subsidiaries provide other employee benefits such as early retirement benefits or jubilee gifts to their employees. Early retirement benefits are defined as termination benefits for employees accepting voluntary redundancy in exchange for those benefits. Jubilee gifts are other long-term benefits. For example, in Switzerland, the group makes provisions for jubilee benefits based on a Swiss local directive. The provisions are reported in the category “Other employee benefits”.

Short-term benefits are payable within 12 months after the end of the period in which the employees render the related employee service. In the case of liabilities of a long-term nature, the discounting effects and employee turnover are to be taken into consideration.

Obligations to employees arising from restructuring measures are included under the category “Restructuring provisions”.

31.21 Share-based compensation

The group operates one equity-settled, share-based payment plan. The restricted share plan (RSP) covers the members of the Board of Directors.

The fair value of the employee services received in exchange for the grant of the share units is recognized as a personnel expense with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which the specified service conditions are expected to be met.

The fair value of the restricted share units (RSUs) granted for services rendered is measured at the medmix Ltd closing share price at grant date, and discounted over the vesting period using a discount rate that is based on the yield of Swiss government bonds with maturities matching the duration of the vesting period. Participants are not entitled to dividends declared during the vesting period. The grant date fair value of the RSUs is consequently reduced by the present value of dividends expected to be paid during the vesting period.

The group accrues for the expected cost of social charges in connection with the allotment of shares under the RSP. The dilutive effect of the share-based awards is considered when calculating diluted earnings per share.

31.22 Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligation as a whole. A provision is recognized even if the likelihood of an outflow with respect to a single item included in the class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

31.23 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the group's activities. This includes standard products (off the rack) and configured and engineered or tailor-made products. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating revenues within the group.

The core principle is that revenues are recognized at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring goods or services to a customer.

Revenues are recognized when (or as) the group satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

A customer obtains control of a good or service if it has the ability to direct the use of, and obtain substantially all of the remaining benefits from, that good or service (e.g., use, consume, sale, hold). A customer could have the future right to direct the use of the asset and obtain substantially all of the benefits from it (i.e., upon making a prepayment for a specified product).

There are two methods to recognize revenues:

- **Point in time method (PIT):** revenue recognition when the performance obligation is satisfied at a certain point in time
- **Over time method (OT): r**evenues, costs and profit margin recognition in line with the progress of the project

The group determines at contract inception whether control of each performance obligation transfers to a customer over time or at a point in time. Arrangements where the performance obligations are satisfied over time are not limited to services arrangements. The assessment of whether control transfers over time or at a point in time is critical to the timing of revenue recognition.

Point in time method (PIT)

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time is met. Revenues are recognized when (or as) the customer obtains control of that asset (depending on incoterms). The following points indicate that a customer has obtained control of an asset:

- The entity has a present right to payment
- The customer has legal title
- The customer has physical possession
- The customer has the significant risks and rewards of ownership
- The customer has accepted the asset

For contracts applying the point in time method, the transfer of risks and rewards of ownership (depending on international commercial terms) typically depicts the transfer in control most appropriately.

Over time method (OT)

Revenues are recognized over time if any of the following is met:

- The customer simultaneously receives/consumes as the group performs.
- The group creates/enhances an asset and the customer controls it during this process.
- The created asset has no alternative use and the group has an enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience.

The over time method is based on the percentage of costs to date compared with the total estimated contract costs (cost-to-cost method). In rare cases, other methods, such as a milestones method, may be used for a particular project, assuming that the stage of completion can be better estimated than by applying the cost-to-cost method. Work progress of sub-suppliers is considered to determine the stage of completion. If circumstances arise that may change the original estimates of revenues, costs or the extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs, and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

The income statement contains a share of revenues, including an estimated share of profit. The balance sheet includes the corresponding contract assets if the assets exceed the advance payments from the customer of the project. When it appears probable that the total costs of an order will exceed the expected income, the total amount of expected loss is recognized immediately in the income statement.

Contract classification per business area

Revenues are measured based on the consideration specified in a contract with a customer. Revenues are recognized over time if any of the conditions above is met. If none of the criteria for satisfying a performance obligation over time is met, revenues are recognized at a point in time.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition method.

Contract classification	Characteristics	Typical revenue recognition method	
		Created asset has alternative use or the group has no enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience	Created asset has no alternative use and the group has enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience
Healthcare			
Standard orders	— Off-the-shelf articles of stock materials (production to stock) — Made-to-order articles	PIT	n/a
Developmental projects for drug delivery devices and medical instruments	— Highly customized products that are tailor-made to customers' specifications — Multistage process that generally includes design, development and industrialization capability phases	PIT	OT
Consumer & Industrial			
Standard orders	— Off-the-shelf articles of stock materials (production to stock) — Made-to-order articles	PIT	n/a

Disaggregation of revenues

In the segment information (note 3), revenues are disaggregated by:

- Business areas (group's reportable segments)
- Geographical regions
- Market segments and business areas

Payment terms

The group's general terms and conditions of supply require payments within 30 days after the invoice date.

Other payment terms may apply if otherwise defined in the customer contract, the purchase order, the respective change order or the quotation.

Variable considerations

If the consideration promised in a contract includes a variable amount (e.g., liquidated damages, early payment discount, volume discounts), the group estimates the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expects will better predict the amount of consideration to which it will be entitled: the expected value method or the most likely amount method. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled.

The group's general terms and conditions of supply foresee the following warranty periods. Except in cases where the scope of supply is limited to services only, the warranty period ends on the earliest of the dates below:

- After 12 months from the initial operation of the scope of supply
- After 18 months from delivery of the scope of supply
- In the event that delivery is delayed or impeded for reasons beyond the supplier's control, after 18 months from the date of the supplier's notification that the scope of supply is ready for dispatch

Where the scope of supply is limited to services only, the warranty period ends six months after completion of such services.

If the group fails to meet the delivery date for more than two calendar weeks due to reasons for which the group is directly responsible, and provided that the purchase order expressly provides liquidated damages for such failure, the purchaser is entitled to demand that the group pay liquidated damages at the rate stated in the purchase order.

The group's obligation for warranties, liquidated damages and other obligations is accounted for as a variable consideration in the revenues and recognized as a provision.

Allocation of the transaction price

To allocate the transaction price to each performance obligation on a relative stand-alone, selling price basis, the group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. If the stand-alone selling price is not directly observable, then the group estimates the amount with the expected cost-plus-margin method.

31.24 Assets and disposal groups held for sale

A non-current asset or a group of assets is classified as "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the management must be committed to sell the assets, the assets must be actively marketed for sale, and the sale must be expected to be completed within one year. A non-current asset or a group of assets classified as "held for sale" will be measured at the lower of its carrying amount or fair value less selling cost.

31.25 Dividend distribution

Dividend distribution to the shareholders of medmix Ltd is resolved upon decision at the Annual General Meeting and will be paid in the same reporting period.

32 Subsequent events after the balance sheet date

On January 9, 2023, the group announced that an investment agreement to acquire a majority stake in Guangdong Qiaoyi Plastic Co. LTD has been signed. Guangdong Qiaoyi Plastic Co. LTD is a beauty manufacturing business, located in Shantou (China) and employs around 350 people. The transaction is expected to close in the first half of 2023. The financial effects of this transaction have not been recognized at December 31, 2022. The operating results and assets and liabilities of the acquired company will be consolidated once the acquisition is closed.

Subsequent events have been considered for adjustment of disclosure up to February 21, 2023, the date these consolidated financial statements were authorized for issue.

33 Major Subsidiaries

	Subsidiary	Equity participation	Registered capital (including paid-in capital in the USA)	Direct participation by medmix Ltd	Research and development	Production and engineering	Sales	Service
Europe								
Switzerland	medmix Switzerland AG, Haag	100%	CHF 100’000		•	•	•	
	medmix Group AG, Baar	100%	CHF 100’000	•				
Germany	medmix Deutschland Holding GmbH, Bechhofen	100%	EUR 870’000					
	GEKA GmbH, Bechhofen	100%	EUR 878’600		•	•	•	•
	medmix Deutschland GmbH, Kiel	100%	EUR 26’000		•	•	•	•
	Haselmeier GmbH, Stuttgart	100%	EUR 2’027’700		•		•	•
Spain	medmix Spain S.L.[1)]	100%	EUR 3’600			•	•	
UK	medmix UK Ltd., Hungerford	100%	GBP 1’000’000			•	•	
North America								
USA	medmix US Inc., Salem, New Hampshire	100%	USD 0				•	
	GEKA Manufacturing Corporation, Elgin, Illinois	100%	USD 603’719			•	•	•
	medmix US Holding Inc., Salem, New Hampshire	100%	USD 1’000					
Central and South America								
Brazil	GEKA do Brasil Indústria e Comércio de Embalagens Ltda., Cotia	100%	BRL 15’009’794			•	•	•
Asia								
India	Haselmeier India Pvt. Ltd., Bengaluru	100%	INR 32’309’720			•		
People’s Republic of China	medmix China Ltd., Shanghai	100%	CHF 1’000’000			•		

1) Acquired in 2022.

KPMG

Statutory Auditor's Report

To the General Meeting of medmix Ltd, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of medmix Ltd and its subsidiaries (the Group), which comprise the consolidated statement of balance sheet as at 31 December 2022 and the consolidated income statement, consolidated statement of comprehensive income, 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 financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

REVENUE RECOGNITION

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.

KPMG

REVENUE RECOGNITION

Key Audit Matter

Total consolidated revenue of the financial year 2022 amounted to CHF 477.1 million (2021: CHF 457.3 million). The Group's revenue is mainly related to the sale of high-precision delivery devices in healthcare, consumer and industrial end-markets.

In line with IFRS 15, the Group recognizes revenue when a performance obligation is satisfied by transfer-ring control over a promised good or service. Due to the Group's business model, revenues recognized with the over time method are currently not material.

Revenue is a key performance indicator and therefore in internal and external stakeholders' focus. Consequently, there might be pressure to achieve forecasted results. This could lead to an increased audit risk relating to sales cut-off and revenues not being recorded in the proper accounting period.

We consider revenue recognition to be a key audit matter due to the number of transactions that occur close to year-end and the potential impact of the cut-off date of these transactions on the consolidated financial statements.

Our response

Our audit procedures included, among others, inquiries with management regarding significant new contracts and relevant changes in existing contracts. The procedures also included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition.

Walkthroughs were performed to gain an understanding of processes and internal controls, including management reviews, with respect to revenue recognition.

On a sample basis, we reconciled revenue to the supporting documentation, such as sales orders, shipping documents and invoices.

A specific emphasis was set on verifying that revenue transactions at the end of the financial year and at the beginning of the new financial year have been recognized in the proper accounting period by comparing revenues close to the balance sheet date with the respective contractual terms.

Furthermore, we assessed the Group's disclosures relating to revenue recognition.

For further information on revenue recognition refer to the following:

- Note 3 of the consolidated financial statements
- Note 31.23 Key accounting policies and valuation methods - Revenue

Other Information in the Annual Report

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

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

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

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

Board of Directors’ Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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, ISAs 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, ISAs 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

Simon Niklaus
Licensed Audit Expert
Auditor in Charge

Anita Benz
Licensed Audit Expert

Zurich, 21 February 2023

Alternative performance measures (APM)

The financial information included in this report includes certain alternative performance measures (APMs), which are not accounting measures as defined by IFRS. These APMs should not be used instead of, or considered as alternatives to, the group’s financial results based on IFRS. These APMs may not be comparable to similarly titled measures disclosed by other companies. All APMs presented relate to the performance of the current reporting period and comparative periods.

Definition of alternative performance measures (APM)

Business area cost of goods sold

Business area cost of goods sold is the part of cost of goods sold that is assigned to a business area. Business area cost of goods sold is used to monitor the costs of a business area.

Business area gross profit

Business area gross profit is the part of gross profit that is assigned to a business area. Business area gross profit is used to monitor the gross profit of a business area.

Business area gross profit margin

Business area gross profit margin is the part of the gross profit margin that is assigned to a business area. Business area gross profit margin is used to monitor the margin of a business area.

Other cost of goods sold

Other cost of goods sold is the part of cost of goods sold that is not assigned to a business area. Other cost of goods sold is used to reconcile the business area gross profit to the gross profit of the group.

EBITDA (earnings before interest, taxes, depreciation and amortization)

EBITDA is defined as net income before income tax expenses, other financial income and expenses, net, interest expenses, interest and securities income, depreciation, amortization and impairments on tangible and intangible assets. In other words, EBITDA is defined as EBIT before depreciation, amortization and impairments on tangible and intangible assets. EBITDA is used to determine the net debt/EBITDA ratio.

Adjusted EBITDA

Adjusted EBITDA is defined as net income before income tax expenses, other financial income and expenses, net, interest expenses, interest and securities income, depreciation, amortization, impairments on tangible and intangible assets, restructuring expenses and other non-operational items, which include significant acquisition-related expenses, gains and losses from the sale of businesses or real estate, and certain non-operational items that are non-recurring or do not occur in similar magnitude. Adjusted EBITDA is used to determine the profitability of the business and to determine the net debt/adjusted EBITDA ratio.

Adjusted EBITDA margin

The adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue. The adjusted EBITDA margin measures how the group turns revenue into adjusted EBITDA.

Free cash flow (FCF)

FCF is used to assess the group's ability to generate the cash required to conduct and maintain its operations. It also indicates the group's ability to generate cash to finance dividend payments, repay debt and to undertake merger and acquisition activities. FCF is calculated based on the IFRS cash flow from operating activities and adjusted for capital expenditures (investments in property, plant and equipment and intangible assets).

Net debt

Net debt is used to monitor the group's overall short- and long-term liquidity. Net debt is calculated as the sum of total current and non-current borrowings and lease liabilities less cash and cash equivalents and current financial assets.

Net debt/adjusted EBITDA ratio

Net debt/adjusted EBITDA is a ratio measuring the amount of income generated and available to pay down debt before covering interest, taxes, depreciations and amortization expenses without considering impairments, restructuring expenses and other non-operational items. The net debt/adjusted EBITDA ratio is used as a measurement of adjusted leverage. It is calculated as net debt divided by adjusted EBITDA.

Currency-adjusted growth

Certain percentage changes in the financial review and the business review divisions have been calculated using constant exchange rates, which allow for an assessment of the group's financial performance with the effects of exchange rate fluctuations eliminated. The currency-adjusted growth is calculated by applying the previous year's exchange rates for the current year and calculating the growth without currency effects.

Organic growth

Organic growth measures changes with the same period in the previous year after adjusting for effects arising from acquisitions, divestments and foreign exchange differences.

The impact of the organic growth is determined as follows:

- Currency-adjusted growth as described above
- For the current-year acquisitions, by deducting the currency-adjusted amount generated during the current year by the acquired entities
- For prior-year acquisitions, by deducting the currency-adjusted amount generated over the months during which the acquired entities were not consolidated in the previous year
- For current-year disposals, by adding the currency-adjusted amount generated by the divested entities in the previous year over the months during which those entities were no longer consolidated in the current year
- For the prior-year disposals, by adding for the current year the currency-adjusted amount generated in the previous year by the divested entities

Reconciliation statements for alternative performance measures (APM)

For the reconciliation statements of business area gross profit, business area gross profit margin, EBITDA, adjusted EBITDA and adjusted EBITDA margin, please refer to note 3, for net debt and net debt/adjusted EBITDA ratio to note 6 and for the free cash flow to the section financial review.

Financial statements of medmix Ltd

Balance sheet of medmix Ltd

December 31

thousands of CHF	Notes	2022	2021
Current assets			
Cash and cash equivalents		1’543	1’982
Accounts receivable from subsidiaries		11	4’500
Other current accounts receivable		1’183	929
Prepaid expenses and other current accounts receivable		218	294
Current loans to subsidiaries		25’000	–
Total current assets		**27’954**	**7’705**
Non-current assets			
Non-current loans to subsidiaries		183’500	200’000
Investments in subsidiaries	3	424’394	424’394
Total non-current assets		**607’894**	**624’394**
Total assets		**635’848**	**632’099**
Current liabilities			
Current liabilities with subsidiaries		10’330	–
Current liabilities with shareholders		5’437	–
Accrued liabilities and other current liabilities		220	69
Total current liabilities		**15’986**	**69**
Non-current liabilities			
Total non-current liabilities		**–**	**–**
Total liabilities		**15’986**	**69**
Equity			
Registered share capital	4	413	413
Legal capital reserves	4	50’000	50’000
Reserves from capital contribution	4	294’653	294’653
Voluntary retained earnings			
– Free reserves	4	268’951	293’951
– Retained earnings	4	4’045	–
– Net profit/(loss) for the year		14’270	–498
Treasury shares	4	–12’470	–6’489
Total equity	4	**619’862**	**632’030**
Total equity and liabilities		**635’848**	**632’099**

Income statement of medmix Ltd

January 1 – December 31, 2022 and September 20 – December 31, 2021

thousands of CHF	Notes	2022	2021
Income			
Investment income	6	25’000	–
Financial income	7	1’965	549
Other income		68	–
Total income		**27’033**	**549**
Expenses			
Administrative expenses	8	12’474	978
Financial expenses	7	51	65
Direct taxes		237	4
Total expenses		**12’763**	**1’047**
Net profit/(loss) for the year		**14’270**	**–498**

Statement of changes in equity of medmix Ltd

thousands of CHF	Share capital	Legal reserves	Reserves from capital contribution	Free reserves	Retained earnings	Net income	Treasury shares	Total
Equity as of September 20, 2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Spin-off from Sulzer Ltd	343	50’000		293’951				344’294
Capital increase	70		294’653					294’723
Net loss for the year						–498		–498
Change in treasury shares							–6’489	–6’489
Equity as of December 31, 2021	**413**	**50’000**	**294’653**	**293’951**	**–**	**–498**	**–6’489**	**632’030**
Equity as of January 1, 2022	**413**	**50’000**	**294’653**	**293’951**	**–**	**–498**	**–6’489**	**632’030**
Capital increase								–
Allocation of free reserves				–25’000	25’000			–
Dividend					–20’457			–20’457
Allocation of net income					–498	498		–
Net profit for the year						14’270		14’270
Change in treasury shares							–5’981	–5’981
Equity as of December 31, 2022	**413**	**50’000**	**294’653**	**268’951**	**4’045**	**14’270**	**–12’470**	**619’862**

Notes to the financial statements of medmix Ltd

1 General information

medmix Ltd, Baar, Switzerland (the company), is the parent company of the medmix group. The company was registered as of September 20, 2021. Its financial statements are prepared in accordance with Swiss law and serve as complementary information to the consolidated financial statements.

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. medmix Ltd is presenting its consolidated financial statements according to IFRS. As a result, medmix Ltd has applied the exemption included in article 961d SCO and has not included additional disclosures such as a cash flow statement or a management report in its financial statements.

2 Key accounting policies and principles

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

Investments in subsidiaries

Investments are initially recognized at cost or if the value is lower, at value in use, using generally accepted valuation principles.

Share-based payments

medmix Ltd operates a share-based payment program that covers the Board of Directors. Restricted share units (RSUs) are granted annually. The plan features graded vesting over a three-year period. One RSU award is settled with one medmix share at the end of the vesting period. Awards automatically vest with the departure from the Board. The fair value of the medmix share at vesting date is recognized as compensation to the Board of Directors.

3 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by medmix Ltd is included in note 33 of the consolidated financial statements.

4 Equity

Share capital

The share capital as of December 31, 2022, amounted to CHF 412’623.70, made up of 41’262’370 shares with dividend entitlement and a par value of CHF 0.01. All shares were fully paid in and registered.

As of December 31, 2022, the company had a remaining authorized share capital of CHF 10’000.00, corresponding to 1’000’000 shares at a nominal value of CHF 0.01 each. The Board of Directors is authorized to increase the share capital of the company by the aforementioned remaining amount, at any time, until September 20, 2023.

Share ownership

medmix shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees will only be entered in the share register with the right to vote provided that they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into an agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register, provided that the above-mentioned conditions are met (see also paragraph 6a of the Articles of Association at https://medmix.swiss/en/Investors/Governance).

Shareholders holding more than 3%

	Dec 31, 2022		Dec 31, 2021	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16’728’414	40.54	16’728’414	40.54
The Capital Group Companies, Inc. (direct shareholder: Capital Research and Management Company)	2’065’631	5.01	2’065’631	5.01
FIL Limited	2’025’719	4.90	2’025’719	4.90
UBS Fund Management (Switzerland) AG	1’489’532	4.35	1’489’532	4.35

Legal capital reserves and free reserves

The share capital increase as of September 30, 2021, resulted in reserves from capital contribution of CHF 294’653k.

Treasury shares held by medmix Ltd

	2022		2021	
thousands of CHF	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1 / September 20	**150’000**	**6’489**	**–**	**–**
Purchase	200’000	6’069	150’000	6’489
Share-based remuneration	–2’464	–88	–	–
Balance as of December 31	**347’536**	**12’470**	**150’000**	**6’489**

The total number of treasury shares held by medmix Ltd as of December 31, 2022, amounted to 347'536 (December 31, 2021: 150’000), which are mainly held for the purpose of issuing shares under the management share-based payment programs.

5 Contingent liabilities

thousands of CHF	2022	2021
Guarantees, sureties and comfort letters for subsidiaries		
– to banks and insurance companies	28’591	34’786
Total contingent liabilities as of December 31	**28’591**	**34’786**

As of December 31, 2022, CHF 5'111k (2021: 6’744k) of guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

The separation from Sulzer Ltd was effected by way of a symmetrical demerger according to the Swiss Merger Act. Under the merger act, the company may be held liable by creditors of Sulzer Ltd, who may be able to enforce certain claims existing at the time of the spin-off or having their basis prior to the spin-off against the company.

6 Investment income

In 2022, the investment income contained dividend payments from medmix Group AG amounting to CHF 25'000k (2021: CHF 0)

7 Financial income and expenses

The financial income contains interests on loans with subsidiaries amounting to CHF 1'965k (2021: CHF 549k). The financial expenses contain mainly bank fees in the amount of CHF 22k (2021: CHF 11k), interest on loans with third parties and interest on cash and cash equivalents with banks amounting to CHF 11k (2021: CHF 52k).

8 Administrative expenses

thousands of CHF	2022	2021
Compensation of the Board of Directors	489	86
Other administrative expenses	11’985	892
Total administrative expenses	**12’474**	**978**

medmix Ltd does not have any employees. The compensation to the Board of Directors includes share-based payments and remuneration. Other administrative expenses contain management services and recharges from subsidiaries.

9 Share participation of the Board of Directors, Executive Committee and related parties

Restricted share units for members of the Board

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. The number of RSUs is determined by dividing the fixed grant value by the volume-weighted share price of the last ten days prior to the grant date. One-third of the RSUs each vest after the first, second and third anniversaries of the grant date, respectively. Upon vesting, one vested RSU is converted into one share of medmix Ltd. The vesting period for RSUs granted to the members of the Board of Directors ends no later than on the date on which the member steps down from the Board.

			2022
	medmix shares	Restricted share units (RSU)[1]	Performance share units (PSU) 2022[2]
Board of Directors	**55’660**	**18’627**	**–**
Greg Poux-Guillaume	43’603	5’787	–
Barbara Angehrn	–	1’985	–
Daniel O. Flammer	–	1’985	–
Rob ten Hoedt	–	2’214	–
David Metzger	–	1’833	–
Marco Musetti	12’057	2’838	–
René Willi	–	1’985	–
Executive Committee	**6’976**	**–**	**48’849**
Girts Cimermans	5’000	–	35’010
Jennifer Dean	1’976	–	10’001
Itee Satpathy	–	–	3’838

1) Restricted share units assigned by medmix.
2) The average fair value of one performance share unit 2022 at grant date amounted to CHF 31.18.

	2021	
	medmix shares	Restricted share units (RSU)[1]
Board of Directors	**59’829**	**3’681**
Greg Poux-Guillaume	43’000	1’809
Jill Lee	5’084	936
Marco Musetti	11’745	936
Executive Committee	**4’198**	**–**
Girts Cimermans	2’222	–
Jennifer Dean	1’976	–
Itee Satpathy	–	–

1) Restricted share units assigned by medmix.

Granted medmix shares to members of the Board of Directors

	2022		2021	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the Board of Directors	16’797	550’055	3’681	161’657

10 Subsequent events after the balance sheet date

At the time when these financial statements were authorized for issue, the Board of Directors were not aware of any events that would materially affect these financial statements.

Proposal of the Board of Directors for the appropriation of the available profit

in CHF	2022	2021
Net profit/(loss) for the year	14’269’773	–497’618
Unallocated profit carried forward from previous year	4’045’272	–
Total available profit	**18’315’045**	**–497’618**
Appropriation from free reserves	5’000’000	25’000’000
Ordinary dividend	–20’457’417	–20’457’111
Balance carried forward	**2’857’628**	**4’045’272**
Dividend distribution per share CHF 0.01		
Gross dividend	0.50	0.50
Withholding tax (35%)	–0.18	–0.18
Net dividend	**0.32**	**0.32**
Reserves from capital contribution	**294’653’000**	**294’653’000**
Allocation to free reserves	–	–
Balance carried forward	**294’653’000**	**294’653’000**
Free reserves	**268’104’248**	**293’104’248**
Allocation to balance carried forward	–5’000’000	–25’000’000
Balance carried forward	**263’104’248**	**268’104’248**

The Board of Directors proposes the payment of a dividend of CHF 0.50 per share to the Annual General Meeting on April 28, 2023. The company will not pay a dividend on treasury shares held by medmix Ltd or one of its subsidiaries.

KPMG

Statutory Auditor's Report

To the General Meeting of medmix Ltd, Baar

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements 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

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. We have determined that there are no key audit matters to communicate in our report.

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 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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Simon Niklaus
Licensed Audit Expert
Auditor in Charge

Anita Benz
Licensed Audit Expert

Zurich, 21 February 2023

KPMG AG, Badenerstrasse 172, CH-8036 Zurich