medmix

Combined and carve-out financial statements 2020, 2019 and 2018

Combined and carve-out income statement

January 1 – December 31

millions of CHF	Notes	2020	2019	2018
Revenue	3, 17	351.3	420.7	454.0
Cost of goods sold		–230.2	–258.3	–281.4
Gross profit		**121.1**	**162.4**	**172.6**
Selling and administrative expenses		–81.3	–86.2	–85.2
Research and development expenses		–20.2	–22.9	–22.5
Other operating income and expenses, net	9	–1.5	–15.1	–1.9
Operating income (EBIT)		**18.1**	**38.2**	**62.9**
Interest and securities income	10	0.2	0.3	0.1
Interest expenses	10	–7.7	–7.3	–7.3
Other financial income and expenses, net	10	–0.1	–0.3	0.3
Income before income tax expenses		**10.5**	**30.9**	**56.1**
Income tax expenses	11	–0.8	–5.7	–3.8
Net income		**9.6**	**25.2**	**52.2**

Combined and carve-out statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2020	2019	2018
Net income		**9.6**	**25.2**	**52.2**
Items that may be reclassified subsequently to the income statement				
Cash flow hedges, net of tax		0.0	0.0	–0.2
Currency translation differences		–3.7	–9.8	–11.2
Total of items that may be reclassified subsequently to the income statement		**–3.6**	**–9.8**	**–11.4**
Items that will not be reclassified to the income statement				
Remeasurements of defined benefit obligations, net of tax	8	2.5	–5.3	1.1
Total of items that will not be reclassified to the income statement		**2.5**	**–5.3**	**1.1**
Total other comprehensive income		**–1.1**	**–15.1**	**–10.2**
Total comprehensive income for the period		**8.5**	**10.1**	**42.0**

Combined and carve-out balance sheet

December 31

millions of CHF	Notes	2020	2019	2018
Non-current assets				
Goodwill	12	263.2	217.4	221.5
Other intangible assets	12	158.7	137.1	159.7
Property, plant and equipment	13	161.0	127.7	117.7
Lease assets	14	46.1	24.1	–
Non-current receivables		–	0.0	0.3
Deferred income tax assets	11	6.2	4.1	3.8
Total non-current assets		**635.3**	**510.3**	**503.1**
Current assets				
Inventories	16	63.0	62.3	63.6
Current income tax receivables		1.8	0.3	1.3
Advance payments to suppliers		3.7	3.8	6.0
Contract assets	17	–	1.3	1.7
Trade accounts receivable	18	26.1	28.3	42.5
Other current receivables and prepaid expenses	19	13.6	11.5	15.9
Current financial assets	15	31.4	74.8	67.7
Cash and cash equivalents	20	14.8	4.5	16.2
Total current assets		**154.5**	**186.6**	**215.0**
Total assets		**789.9**	**697.0**	**718.1**
Equity				
Owner's equity	21	333.4	295.1	339.7
Equity attributable to owners of medmix	**21**	**333.4**	**295.1**	**339.7**
Total equity	**21**	**333.4**	**295.1**	**339.7**
Non-current liabilities				
Non-current borrowings	22	239.5	240.4	249.9
Non-current lease liabilities	14	39.9	18.8	–
Deferred income tax liabilities	11	26.7	23.9	29.2
Non-current income tax liabilities	11	2.1	–	–
Defined benefit obligations	8	8.3	8.7	2.2
Non-current provisions	23	4.5	3.3	3.1
Other non-current liabilities		1.0	1.0	1.3
Total non-current liabilities		**322.0**	**296.1**	**285.7**
Current liabilities				
Current borrowings	22	46.5	12.1	10.2
Current lease liabilities	14	6.4	5.3	–
Current income tax liabilities	11	4.8	6.4	10.3
Current provisions	23	15.4	15.5	5.1
Contract liabilities	17	5.0	3.9	1.0
Trade accounts payable		29.8	37.8	42.0
Other current and accrued liabilities	24	26.5	24.8	24.0
Total current liabilities		**134.4**	**105.8**	**92.7**
Total liabilities		**456.4**	**401.9**	**378.4**
Total equity and liabilities		**789.9**	**697.0**	**718.1**

Combined and carve-out statement of changes in equity

January 1 – December 31

		Attributable to owners of medmix			
millions of CHF	Notes	Retained earnings	Cash flow hedge reserve	Currency translation adjustment	**Total equity**
Equity as of January 1, 2018		**328.0**	**0.1**	**12.3**	**340.5**
Comprehensive income for the period:					
Net income		52.2			52.2
– Cash flow hedges, net of tax		–	–0.2	–	–0.2
– Remeasurements of defined benefit obligations, net of tax	8	1.1	–	–	1.1
– Currency translation differences		–	–	–11.2	–11.2
Other comprehensive income		1.1	–0.2	–11.2	–10.2
Total comprehensive income for the period		**53.4**	**–0.2**	**–11.2**	**42.0**
Transactions with owners of the company:					
Contribution from Sulzer group	4, 21	4.2	–	–	4.2
Share-based payments	25	0.2	–	–	0.2
Dividends	21	–47.2	–	–	–47.2
Equity as of December 31, 2018	**21**	**338.6**	**–0.1**	**1.2**	**339.7**
Equity as of January 1, 2019		**338.6**	**–0.1**	**1.2**	**339.7**
Comprehensive income for the period:					
Net income		25.2			25.2
– Cash flow hedges, net of tax		–	0.0	–	0.0
– Remeasurements of defined benefit obligations, net of tax	8	–5.3	–	–	–5.3
– Currency translation differences		–	–	–9.8	–9.8
Other comprehensive income		–5.3	0.0	–9.8	–15.1
Total comprehensive income for the period		**19.9**	**0.0**	**–9.8**	**10.1**
Transactions with owners of the company:					
Contribution to Sulzer group		–0.2	–	–	–0.2
Share-based payments	25	0.4	–	–	0.4
Dividends	21	–55.0	–	–	–55.0
Equity as of December 31, 2019	**21**	**303.7**	**–0.0**	**–8.6**	**295.1**
Equity as of January 1, 2020		**303.7**	**–0.0**	**–8.6**	**295.1**
Comprehensive income for the period:					
Net income		9.6			9.6
– Cash flow hedges, net of tax		–	0.0	–	0.0
– Remeasurements of defined benefit obligations, net of tax	8	2.5	–	–	2.5
– Currency translation differences		–	–	–3.7	–3.7
Other comprehensive income		2.5	0.0	–3.7	–1.1
Total comprehensive income for the period		**12.1**	**0.0**	**–3.7**	**8.5**
Transactions with owners of the company:					
Contribution from Sulzer group	4, 21	81.4	–	–	81.4
Share-based payments	25	0.5	–	–	0.5
Dividends	21	–52.0	–	–	–52.0
Equity as of December 31, 2020	**21**	**345.7**	**–**	**–12.3**	**333.4**

Combined and carve-out statement of cash flows

January 1 – December 31

millions of CHF	Notes	2020	2019	2018
Cash and cash equivalents as of January 1		**4.5**	**16.2**	**3.0**
Net income		9.6	25.2	52.2
Interest and securities income	10	–0.2	–0.3	–0.1
Interest expenses	10	7.7	7.3	7.3
Income tax expenses	11	0.8	5.7	3.8
Depreciation, amortization and impairments	12, 13, 14	43.1	43.2	42.8
Income from disposals of tangible and intangible assets	9	–0.2	–0.0	–0.2
Changes in inventories		4.3	0.4	1.1
Changes in advance payments to suppliers		0.5	2.2	–1.0
Changes in contract assets		1.3	0.2	–1.7
Changes in trade accounts receivable		6.7	13.8	9.5
Changes in contract liabilities		0.4	2.5	–2.2
Changes in trade accounts payable		–8.0	–3.5	7.1
Change in provision for employee benefit plans		2.5	0.4	1.1
Changes in provisions		–2.4	10.9	–1.0
Changes in other net current assets		1.2	6.1	0.7
Other non-cash items		–0.2	–5.3	–5.2
Interest received		0.2	0.3	0.1
Interest paid		–7.7	–7.3	–7.3
Income tax paid		–8.9	–12.6	–12.8
Total cash flow from operating activities		**50.6**	**89.1**	**94.2**
Purchase of intangible assets	12	–1.0	–0.6	–2.4
Sale of intangible assets	12	0.0	0.4	0.0
Purchase of property, plant and equipment	13	–42.1	–35.6	–27.6
Sale of property, plant and equipment	13	1.9	3.2	1.6
Acquisitions of subsidiaries, net of cash acquired	4	2.2	–0.0	2.3
Purchase of current financial assets	15	–27.2	–60.3	–17.4
Sale of current financial assets	15	70.7	53.2	10.3
Total cash flow from investing activities		**4.4**	**–39.6**	**–33.2**
Dividends paid to shareholders	21	–52.0	–55.0	–47.2
Payments of lease liabilities	14	–6.1	–5.2	–
Proceeds from non-current borrowings	22	0.0	–	15.0
Repayments of non-current borrowings	22	–	–	–0.6
Proceeds from current borrowings	22	37.4	14.6	10.8
Repayments of current borrowings	22	–22.2	–13.4	–24.4
Total cash flow from financing activities		**–42.9**	**–59.0**	**–46.4**
Exchange losses on cash and cash equivalents		–1.8	–2.3	–1.3
Net change in cash and cash equivalents		**10.4**	**–11.8**	**13.2**
Cash and cash equivalents as of December 31	**20**	**14.8**	**4.5**	**16.2**

1 General information and basis of preparation

1.1 General information

Sulzer Ltd announced on May 27, 2021, the intention to spin-off its Applicator Systems (APS) division through a 1:1 share split, granting Sulzer shareholders one APS share in addition to each Sulzer share held. The listing of APS on the Swiss Exchange (SIX) is planned for late Q3, 2021, or early Q4, 2021. Upon market introduction, APS will be renamed medmix and its listing will be combined with a share capital increase by medmix in the amount of CHF 200–300 million without subscription rights for existing shareholders.

The spin-off of medmix will be executed in the form of a symmetrical split, according to art. 29 para b) and art. 31 para 2a) of the Swiss Merger Act, with existing shareholders receiving one medmix share in addition to each Sulzer share held. Sulzer's Board of Directors (BoD) has unanimously approved the transaction. The split of Sulzer into two separate companies and its associated capital increase will be proposed for shareholder approval at an extraordinary general meeting (EGM) to be scheduled in Q3, 2021.

medmix (the "group") is a global market leader in high-precision delivery devices for the healthcare and consumer and industrial business areas. medmix specializes in the design and production of innovative, high-precision delivery devices and applicators for the dental, drug delivery, surgery, industrial and beauty markets. medmix employs around 1'900 people in 20 production, sales and service sites around the world.

The group did not exist as a separate legal and reporting group and no separate financial statements were therefore prepared. Accordingly, in order to evaluate the historical financial results of the group and the preparation for capital market access, historical combined and carve-out financial statements of medmix for the years 2018, 2019 and 2020 have been prepared (the "combined and carve-out financial statements"). An overview of the major companies and businesses included in the combined and carve-out financial statements is included in note 29. Throughout the reporting periods, the group did not have a parent entity.

Details of the group's accounting policies are included in note 27.

1.2 Basis of preparation

The combined and carve-out financial statements have been prepared on a carve-out basis from the Sulzer group financial statements for the purpose of presenting the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes of the group on a stand-alone basis. The combined and carve-out financial statements for the years 2018, 2019 and 2020 have been derived from the consolidated financial statements of the Sulzer group.

The combined and carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), using the historical cost convention except for the following:

- 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 (see note 27.18 a).

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 combined and carve-out financial statements are disclosed in note 5 "Critical accounting estimates and judgments".

The net assets and related historical results of the medmix business as of and for each of the three years ended December 31, 2020, 2019 and 2018 have been extracted from the Sulzer group financial statements. Assets, liabilities, revenue and income and expenses have been identified for the purpose of preparing the combined and carve-out financial statements by applying the following approach:

- Assets: the allocation of assets is based on the existing legal ownership of those assets or they have been carved-out from the Sulzer group for the business belonging to medmix.
- Liabilities: the attribution of liabilities is based on the contractual obligations incurred by each of the legal entities or the businesses included in the group.
- In addition, the Sulzer group performs certain corporate overhead functions for medmix including but not limited to finance, internal audit, tax planning and IT services. Costs incurred by these functions have been allocated to the group according to existing transfer pricing agreements and are considered arm's length transactions.

Management of the group believes that the basis of preparation described above results in combined and carve-out financial statements appropriately reflecting the assets and liabilities associated with the group and a reasonable reflection of the utilization of services provided for the benefits received by the group during the years presented relative to the total costs incurred by the Sulzer group. However, as the group did not operate as a stand-alone entity during the relevant years, the financial information may not be indicative of the group's future performance and do not necessarily reflect what its results of operations, financial position and cash flows would have been had medmix operated as a separate entity apart from the Sulzer group during the relevant years.

Transactions with the Sulzer group

Transactions between the group and Sulzer group entities outside the scope of medmix have not been eliminated and are reported as transactions with related parties in these combined and carve-out financial statements, refer to note 26.

Intercompany transactions

All material intercompany transactions and balances and any unrealized gains arising from intercompany transactions are eliminated in preparing the combined and carve-out 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.

Income taxes and deferred taxes

Income taxes are determined based on the assumption that the medmix entities are separate taxable entities from the Sulzer group (separate tax return approach). This assumption implies that the current and deferred taxes of all separate tax entities within the group are calculated separately, and the recoverability of the deferred tax assets is also assessed accordingly. Deferred tax assets resulting from tax loss carry-forwards are recognized in the combined and carve-out financial statements to the extent that it is probable that they can be offset with future taxable income from the respective group entities. In addition, deferred tax assets and liabilities are also recognized for the expected tax consequences of temporary differences between the tax basis of the group's assets and liabilities and their reported amounts, using currently enacted or substantively enacted tax rates, refer to note 11.

Goodwill and other intangible assets allocated from the Sulzer group

The effects of business combinations, in the form of goodwill, other intangible assets and fair value adjustments were transferred from the Sulzer group to medmix and are deemed to form part of the medmix group and are recognized in the combined and carve-out financial statements using measurement principles and assumptions applied by the Sulzer group (refer to note 27.2).

Leases

The group initially applied IFRS 16 Leases as of January 1, 2019, using the modified retrospective approach, under which comparative information is not restated. Further details are disclosed in note 14 and note 27.1.

Earnings per share

The information on earnings per share for the group according to IAS 33 Earnings per Share has not been presented, as the combined and carved-out entities and businesses have not formed a statutory group and, as such, medmix has no historical capital structure.

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 was particularly affected by the following events and transactions during the reporting periods:

Events and transactions in 2020

- COVID-19 dominated the world stage in 2020. The lockdowns led to a standstill of public life in many countries, travel restrictions and challenges in supply chain and revenue channels. While the manufacturing and administrative operations have remained operational throughout the COVID-19 pandemic, the results of operations were materially adversely impacted by the closure of retail stores and dental offices triggered by governmental containment measures. As a consequence, the Sulzer group updated the budget and the three-year strategic plan, relevant for the goodwill impairment test (see note 5 and note 12). As another consequence, the group reassessed the expected credit losses, relevant for the calculation of the allowance for doubtful trade accounts receivable, by applying updated forward-looking information such as development of gross domestic product (GDP) (see note 18). The forced market pause in the second quarter of 2020 was followed by a rebound in the second half of 2020.

- On October 1, 2020, the Sulzer group acquired a 100% controlling interest of Haselmeier AG ("Haselmeier") for CHF 105.5 million. Haselmeier has been included in the combined and carve-out financial statements of medmix since the acquisition date. The headquarters of Haselmeier is located in Stuttgart, Germany. Haselmeier employs approximately 230 people and is an own-IP provider of drug delivery devices such as subcutaneous self-injection pens for use in fast-growing indications such as reproductive health, growth disorders, osteoporosis and diabetes. With the acquisition of Haselmeier, the group will complement its healthcare portfolio and leverage its expertise in precision injection molding. The acquisition resulted in an increase in goodwill of CHF 60.4 million and other intangible assets of CHF 39.8 million at the date of acquisition (see note 4).

Events and transactions in 2019

- In 2019, restructuring expenses were mainly associated with the consolidation of two production facilities in Germany. The group recognized restructuring expenses of CHF 13.7 million in 2019 (2018: CHF 1.6 million).
- The group applied IFRS 16 "Leases" as of January 1, 2019, using the modified retrospective approach, under which comparative information is not restated. Accordingly, no information for 2018 is presented. The application of this new accounting standard resulted in an increase of total assets and total liabilities of CHF 25.6 million as of January 1, 2019 (restatement) and CHF 22.8 million as of December 31, 2019. Details and changes of the group's accounting policies are described in note 27.

Events and transactions in 2018

- On August 31, 2018, the Sulzer group acquired 100% controlling interest of Medmix Systems AG ("Medmix") for CHF 4.2 million. Medmix has been included in the combined and carve-out financial statements of medmix since the acquisition date. Medmix is based in Rotkreuz, Switzerland, and employs 12 people. The acquisition of Medmix extends the portfolio of mixing and dispensing devices, adding a healthcare segment to the leading positions in dental, adhesives and beauty.

3 Segment information

Segment information by business areas

	Healthcare			Consumer & Industrial			**Total medmix**		
millions of CHF	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Revenue[1)]	**104.3**	**130.5**	**122.7**	**247.0**	**290.2**	**331.3**	**351.3**	**420.7**	**454.0**
Business area cost of goods sold	–37.8	–42.3	–42.7	–151.1	–183.0	–210.6	–188.9	–225.3	–253.3
Business area gross profit	**66.4**	**88.2**	**80.0**	**95.9**	**107.1**	**120.7**	**162.4**	**195.4**	**200.7**
Business area gross profit margin	63.7%	67.6%	65.2%	38.8%	36.9%	36.4%	46.2%	46.4%	44.2%
Other cost of goods sold							–41.3	–33.0	–28.1
Gross profit							**121.1**	**162.4**	**172.6**
Operating expenses							–103.0	–124.2	–109.7
Operating income (EBIT)							**18.1**	**38.2**	**62.9**
Depreciation							23.4	22.9	19.5
Amortization							19.2	19.0	19.6
Impairments on tangible and intangible assets							0.5	1.3	3.7
EBITDA							**61.2**	**81.4**	**105.7**
Restructuring expenses							3.2	13.7	1.6
Non-operational items (unaudited)							1.6	14.1	6.9
Adjusted EBITDA (unaudited)							**66.0**	**109.2**	**114.2**
Adjusted EBITDA margin (unaudited)							18.8%	25.9%	25.2%
Free cash flow (FCF) (unaudited)							9.4	56.6	65.8

1) Revenue from external customers.

Information about reportable segments

For the years 2018, 2019 and 2020, Sulzer managed its business by divisions whereof Applicator Systems (APS) was one reportable segment. After the spin-off of the APS division, operating segments will be determined based on the reports reviewed by the medmix Board of Directors (BoD) that will be used to measure performance, make strategic decisions, and allocate resources to the segments. The business will be managed based on business areas, and the reportable segments have been identified as disclosed below. The medmix BoD will assess the performance of the two segments based on the business area's revenue and gross profit.

The medmix BoD will assess performance of the group using alternative performance measures (APM) which 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 impairment, restructuring and other non-operational items. In this context, the medmix BoD will assess the performance of the group based on adjusted EBITDA in addition to the business area's revenue and gross profit.

Revenue from external customers which will be reported to the medmix 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 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 Industrial, 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 other financial assets and deferred tax assets. The allocation of revenue from external customers is based on the ship-to location defined by medmix's customer, which does not necessarily correspond with the location of the end customer.

Non-current assets by region

millions of CHF	2020	2019	2018
Europe, the Middle East and Africa	**603.6**	**460.2**	**463.6**
– thereof Germany	347.4	256.5	310.3
– thereof Switzerland	200.7	165.9	124.2
Americas	**31.1**	**37.8**	**35.4**
Asia-Pacific	**8.3**	**8.2**	**0.0**
Total	**643.0**	**506.3**	**499.0**

Revenue by region

millions of CHF	Healthcare	Consumer & Industrial	Total medmix
			2020
Europe, the Middle East and Africa	**56.3**	**147.8**	**204.0**
– thereof Germany	35.3	46.9	82.1
– thereof Italy	8.0	16.4	24.5
– thereof France	1.4	21.7	23.1
– thereof Switzerland	4.5	4.7	9.2
Americas	**40.7**	**76.3**	**117.0**
– thereof USA	39.5	67.1	106.5
Asia-Pacific	**7.4**	**22.9**	**30.3**
– thereof China	1.2	14.4	15.6
Total	**104.3**	**247.0**	**351.3**

millions of CHF	Healthcare	Consumer & Industrial	Total medmix
			2019
Europe, the Middle East and Africa	**58.5**	**174.3**	**232.8**
– thereof Germany	42.3	49.2	91.5
– thereof Italy	7.0	19.6	26.5
– thereof France	0.9	26.1	27.0
– thereof Switzerland	1.9	3.9	5.8
Americas	**61.0**	**95.0**	**156.0**
– thereof USA	60.0	80.0	139.9
Asia-Pacific	**11.0**	**20.8**	**31.8**
– thereof China	1.3	13.6	14.9
Total	**130.5**	**290.2**	**420.7**

millions of CHF	Healthcare	Consumer & Industrial	Total medmix
			2018
Europe, the Middle East and Africa	**59.1**	**206.5**	**265.5**
– thereof Germany	40.6	53.9	94.5
– thereof Italy	6.1	23.0	29.2
– thereof France	0.7	27.9	28.6
– thereof Switzerland	3.2	8.3	11.5
Americas	**53.7**	**89.5**	**143.2**
– thereof USA	52.7	75.8	128.5
Asia-Pacific	**9.9**	**35.4**	**45.3**
– thereof China	1.5	14.6	16.1
Total	**122.7**	**331.4**	**454.0**

Market segment information

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

Revenue by market segment

millions of CHF	2020	2019	2018
Dental	82.4	119.0	117.9
Drug delivery	7.4	0.0	0.0
Surgery	14.5	11.5	4.8
Total Healthcare	**104.3**	**130.5**	**122.7**
Industry	125.3	144.4	151.6
Beauty	121.7	145.8	179.7
Total Consumer & Industrial	**247.0**	**290.2**	**331.3**
Total medmix	**351.3**	**420.7**	**454.0**

4 Changes in the scope of combination

Acquisitions in 2020

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.

Net assets acquired

millions of CHF	Haselmeier	Others	Total
Intangible assets	39.8	1.7	41.5
Property, plant and equipment	13.1	0.0	13.1
Lease assets	2.4	–	2.4
Deferred income tax assets	0.3	–	0.3
Cash and cash equivalents	3.7	0.0	3.7
Trade accounts receivable	5.2	0.0	5.2
Other current assets	9.6	0.1	9.7
Lease liabilities	–2.4	–	–2.4
Provisions	–3.5	–0.0	–3.5
Non-current income tax liabilities	–2.3	–	–2.3
Deferred income tax liabilities	–5.3	–0.3	–5.6
Other liabilities	–1.8	–	–1.8
Net identifiable assets	**58.8**	**1.5**	**60.3**
Goodwill recognized in balance sheet	46.7	–	46.7
Total consideration	**105.5**	**1.5**	**107.0**
Purchase price paid by medmix	–	1.5	1.5
Borrowings assumed by medmix	23.0	–	23.0
Purchase price paid by Sulzer group	82.0	–	82.0
Contingent consideration	0.5	–	0.5
Total consideration	**105.5**	**1.5**	**107.0**

Haselmeier

On October 1, 2020, the Sulzer group acquired a 100% controlling interest of Haselmeier AG for CHF 105.5 million. Haselmeier has been included in the combined and carve-out financial statements of medmix since the acquisition date. The headquarters of Haselmeier is located in Stuttgart, Germany. Haselmeier employs approximately 230 people and is a leading own-IP provider of drug delivery devices such as subcutaneous self-injection pens for use in fast-growing indications such as reproductive health, growth disorders, osteoporosis and diabetes. With the acquisition of Haselmeier, medmix complemented its healthcare portfolio and leveraged its expertise in precision injection molding to seize growth opportunities in the fast-growing drug delivery devices market. The goodwill is attributable to significant synergies by leveraging scale and cross-selling opportunities. None of the goodwill is expected to be deductible for tax purposes. For 2020 Haselmeier contributed order intake of CHF 13.0 million, revenue of CHF 7.4 million, and net income of CHF 0.9 million to the group. The purchase price paid in cash by the Sulzer group amounting to CHF 82.0 million is disclosed in equity as “contribution from the Sulzer group” (see note 21).

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 5.2 million. The gross contractual amount for trade account receivables due is CHF 5.2 million, of which none are expected to be uncollectible at the date of acquisition.

Pro forma revenue and profit contribution

Had all above acquisitions occurred on January 1, 2020, management estimates that total net revenue of the group would amount to CHF 376.5 million, and the net income would be CHF 12.3 million for the year 2020.

Acquisitions in 2019

No acquisitions were made in 2019.

Acquisitions in 2018

The following table summarizes for Medmix the recognized amounts of assets acquired and liabilities assumed at the date of acquisition, including the resulting goodwill and the total consideration paid. For Transcodent the table summarizes the measurement period adjustments as further explained below.

millions of CHF	Medmix	Transcodent	Total
Intangible assets	2.9	–0.1	2.8
Property, plant and equipment	0.4	–1.1	–0.7
Deferred income tax assets	–	0.0	0.0
Cash and cash equivalents	2.3	–	2.3
Trade accounts receivable	0.9	–	0.9
Other current assets	0.7	–	0.7
Provisions	–	–0.1	–0.1
Deferred income tax liabilities	–0.4	–	–0.4
Other liabilities	–1.4	–	–1.4
Net identifiable assets	**5.5**	**–1.3**	**4.2**
Goodwill recognized in balance sheet	–	1.3	1.3
Negative goodwill recognized in income statement	–1.3	–	–1.3
Total consideration	**4.2**	**–**	**4.1**
			–
Purchase price paid by Sulzer group	4.2	–	4.2
Total consideration	**4.2**	**–**	**4.2**

Medmix

On August 31, 2018, the Sulzer group acquired 100% controlling interest of Medmix Systems AG (“Medmix”) for CHF 4.2 million. Medmix has been included in the combined and carve-out financial statements of medmix since the acquisition date. Medmix is based in Rotkreuz, Switzerland, and employs 12 people. The acquisition of Medmix extends the portfolio of mixing and dispensing devices, adding a healthcare segment to the leading positions in dental, adhesives and beauty. The purchase price paid in cash by the Sulzer group is disclosed in equity as “contribution from the Sulzer group”. Transaction costs recognized in the income statement amount to CHF –0.2 million.

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 0.9 million. The gross contractual amount for trade account receivables due is CHF 0.9 million, of which none are expected to be uncollectible at the date of acquisition.

Transcodent

Transcodent was acquired by the Sulzer group in September 2017 and the initial accounting for the business combination was not finalized when the Sulzer financial statements 2017 were issued. Transcodent has been included in the combined and carve-out financial statements of medmix since January 1, 2018. In the course of the integration process and within the measurement period of one year the opening balance sheet for the acquisition was adjusted in 2018, based on conditions and circumstances that already existed at the date of the acquisition.

Pro forma revenue and profit contribution

Had the Medmix acquisition occurred on January 1, 2018, management estimates that total net revenue of the group would amount to CHF 457.3 million, and the net income would be CHF 52.4 million for the year 2018.

Cash flow from acquisitions of subsidiaries

millions of CHF	2020	2019	2018
Cash consideration paid	–1.5	–	–
Cash acquired	3.7	–	2.3
Total cash flow from acquisitions, net of cash acquired	**2.2**	**–**	**2.3**

5 Critical accounting estimates and judgments

In preparing these combined and carve-out 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 obligation and the plan assets 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 27.

Income taxes

Income taxes are determined based on the assumption that the medmix entities are separate taxable entities from the Sulzer group (separate tax return approach). This assumption implies that the current and deferred taxes of all separate tax entities within the group are calculated separately, and the recoverability of the deferred tax assets is also assessed accordingly. Deferred tax assets resulting from tax loss carry-forwards are recognized in the combined and carve-out financial statements to the extent that it is probable that they can be offset with future taxable income from the respective group entities. In addition, deferred tax assets and liabilities are also recognized for the expected tax consequences of temporary differences between the tax basis of the group's assets and liabilities and their reported amounts, using currently enacted or substantively enacted tax rates.

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 the 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. Due to COVID-19, the budget and the three-year strategic plan have been updated in 2020 after the approval. The goodwill impairment test is based on the updated version of the budget and the three-year strategic plan. 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 in the year ending December 31, 2020, are disclosed in note 12. The accounting policies are disclosed in note 27.

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 27.

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. expected liquidated damages, 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.

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 23 and note 27.

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, fair value 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) of the Sulzer group. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the group's entities and businesses. Principles for overall risk management, as well as 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% – 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 for 2020, 2019 and 2018 related to 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 2020, the currency pair with the most significant exposure and inherent risk was the EUR versus the JPY. If, on December 31, 2020, the EUR had increased by 7.9% against the JPY with all other variables held constant, profit after tax for the year would have been CHF 0.1 million higher due to foreign exchange gains on EUR-denominated financial assets. 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			**2020**
Currency pair	EUR/JPY	EUR/USD	GBP/DKK
Exposure	0.9	–0.8	–0.3
Volatility	7.9%	7.6%	8.9%
Effect on profit after tax (rate increase)	0.1	–0.1	-0.0
Effect on profit after tax (rate decrease)	–0.1	0.1	0.0

millions of CHF			**2019**
Currency pair	USD/CHF	GBP/EUR	EUR/USD
Exposure	11.8	2.6	–2.8
Volatility	5.5%	7.5%	4.9%
Effect on profit after tax (rate increase)	0.5	0.2	–0.1
Effect on profit after tax (rate decrease)	–0.5	–0.2	0.1

millions of CHF			**2018**
Currency pair	EUR/USD	GBP/EUR	USD/CHF
Exposure	–5.6	2.4	2.0
Volatility	7.2%	6.0%	6.5%
Effect on profit after tax (rate increase)	–0.4	0.1	0.1
Effect on profit after tax (rate decrease)	0.4	–0.1	–0.1

The following tables show the hypothetical influence on equity for 2020, 2019 and 2018 related to foreign exchange risk of financial instruments for the most important currency pairs as per 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			2020
Currency pair	USD/CHF	CHF/PLN	EUR/CHF
Exposure	–35.7	–6.8	13.1
Volatility	7.4%	8.8%	3.8%
Effect on equity, net of taxes (rate increase)	–2.4	–0.5	0.5
Effect on equity, net of taxes (rate decrease)	2.4	0.5	–0.5

millions of CHF			2019
Currency pair	CHF/PLN	CHF/CNY	USD/CHF
Exposure	–5.6	–2.0	–2.3
Volatility	5.5%	6.8%	5.7%
Effect on equity, net of taxes (rate increase)	–0.5	–0.1	–0.1
Effect on equity, net of taxes (rate decrease)	0.5	0.1	0.1

millions of CHF			2018
Currency pair	CHF/CNY	USD/CHF	EUR/CHF
Exposure	–4.0	–3.9	4.1
Volatility	7.1%	6.5%	5.1%
Effect on equity, net of taxes (rate increase)	–0.3	–0.2	0.2
Effect on equity, net of taxes (rate decrease)	0.3	0.2	–0.2

(II) Price risk

As of December 31, 2020, 2019 and 2018, 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. Assets and liabilities at fixed rates only expose the group to fair value interest rate risk in the case of debt instruments that are classified as at fair value through profit or loss. 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 non-current interest-bearing liabilities comprise loans with the Sulzer group with fixed interest rates.

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 the most significant currencies, EUR, USD, GBP, CNY and CHF, increasing interest rates would have had a positive impact on the income statement, where 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				2020
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
EUR	18.4	100	0.2	–0.2
USD	9.8	100	0.1	–0.1
GBP	–8.5	100	–0.1	0.1
CNY	6.3	100	0.1	–0.1
CHF	–4.5	100	0.0	0.0

millions of CHF				2019
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
EUR	50.6	100	0.4	–0.4
USD	16.5	100	0.1	–0.1
GBP	7.1	100	0.1	–0.1
CHF	5.0	100	0.0	0.0
PLN	3.2	100	0.0	0.0

millions of CHF				2018
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	37.9	100	0.4	–0.4
EUR	31.9	100	0.3	–0.3
USD	14.2	100	0.1	–0.1
GBP	–4.1	100	0.0	0.0
CNY	–3.9	100	0.0	0.0

On December 31, 2020, if the interest rates on EUR-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 0.2 million higher, as a result of higher interest income on EUR-denominated assets. A decrease of interest rates on EUR-denominated assets net of liabilities would have caused a loss of the same amount. As of December 31, 2019, 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 0.4 million higher, as a result of higher interest income on USD-denominated assets. As of December 31, 2018, 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 0.4 million higher, as a result of higher interest income on CHF-denominated assets.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks, financial institutions and the Sulzer group, as well as credit exposures to customers, including outstanding receivables, contract assets and committed transactions. The maximum exposure to credit risk per class of financial assets is outlined in the fair value table in note 6.3.

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 out of contract assets, please refer to note 17 and on the credit risk out 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 into 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 as well as interest payments.

Maturity profile of financial liabilities

					2020
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	286.0	38.9	73.0	196.4	308.3
Lease liabilities	46.2	6.5	21.3	21.0	48.7
Trade accounts payable	29.8	29.8	–	–	29.8
Other current and non-current liabilities (excluding derivative liabilities)	5.5	4.5	1.0	–	5.5
Derivative liabilities	0.2	0.2	–	0.0	0.2
– thereof outflow		73.8	–	0.0	73.8
– thereof inflow		73.6	–	0.0	73.6

					2019
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	252.5	14.5	73.5	204.2	292.2
Lease liabilities	24.2	5.4	16.2	3.5	25.1
Trade accounts payable	37.8	37.8	–	–	37.8
Other current and non-current liabilities (excluding derivative liabilities)	2.6	1.6	1.0	–	2.6
Derivative liabilities	0.0	0.0	–	0.0	0.0
– thereof outflow		15.7	–	0.0	15.7
– thereof inflow		15.7	–	0.0	15.7

millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
					2018
Borrowings	260.1	15.8	78.3	217.7	311.8
Trade accounts payable	42.0	42.0	–	–	42.0
Other current and non-current liabilities (excluding derivative liabilities)	3.2	1.9	1.3	0.1	3.2
Derivative liabilities	0.2	0.2	–	0.0	0.2
– thereof outflow		23.1	–	0.0	23.1
– thereof inflow		22.9	–	0.0	22.9

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 group is mainly financed through current and non-current borrowings with the Sulzer group. The group plans to refinance these borrowings after the spin-off with non-current external bank loans.

The following table shows the net debt/EBITDA ratio as at December 31, 2020, 2019 and 2018.

Net debt/EBITDA ratio

millions of CHF	2020	2019	2018
Cash and cash equivalents	–14.8	–4.5	–16.2
Current financial assets	–31.4	–74.8	–67.7
Non-current borrowings	239.5	240.4	249.9
Non-current lease liabilities	39.9	18.8	0.0
Current borrowings	46.5	12.1	10.2
Current lease liabilities	6.4	5.3	0.0
Net debt as of December 31	**286.0**	**197.4**	**176.2**
EBIT	**18.1**	**38.2**	**62.9**
Depreciation	23.4	22.9	19.5
Impairments on tangible and intangible assets	0.5	1.3	3.7
Amortization	19.2	19.0	19.6
EBITDA	**61.2**	**81.4**	**105.7**
Net debt	286.0	197.4	176.2
EBITDA	61.2	81.4	105.7
Net debt/EBITDA ratio	**4.67**	**2.43**	**1.67**

6.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as of December 31, 2020, 2019 and 2018, 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, 2020								
		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										
Derivative assets – current	19	0.2				0.2	–	0.2	–	0.2
Total financial assets measured at fair value		**0.2**	**0.0**	**–**	**–**	**0.2**	**–**	**0.2**	**0.0**	**0.2**
Financial assets not measured at fair value										
Non-current receivables (excluding non-current derivative assets)				–		–				
Trade accounts receivable	18			26.1		26.1				
Other current receivables (excluding current derivative assets and other taxes)	19			6.5		6.5				
Current financial assets (at amortized cost)	15			31.4		31.4				
Cash and cash equivalents	20			14.8		14.8				
Total financial assets not measured at fair value		**–**	**–**	**78.9**	**–**	**78.9**				
Financial liabilities measured at fair value										
Contingent considerations	4		0.5			0.5	–	–	0.5	0.5
Total financial liabilities measured at fair value		**–**	**0.5**	**–**	**–**	**0.5**	**–**	**–**	**0.5**	**0.5**
Financial liabilities not measured at fair value										
Non-current borrowings	22				239.5	239.5				
Other non-current liabilities (excluding non-current derivative liabilities)					1.0	1.0				
Current borrowings and bank loans	22				46.5	46.5				
Trade accounts payable					29.8	29.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	24				2.8	2.8				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**319.7**	**319.7**				

Fair value table

		December 31, 2019								
		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										
Derivative assets – current	19	–				–	–	–	–	–
Total financial assets measured at fair value		**–**	**–0.0**	**–**	**–**	**–0.0**	**–0.0**	**–**	**0.0**	**–0.0**
Financial assets not measured at fair value										
Non-current receivables (excluding non-current derivative assets)				0.0		0.0				
Trade accounts receivable	18			28.3		28.3				
Other current receivables (excluding current derivative assets and other taxes)	19			5.3		5.3				
Current financial assets (at amortized cost)	15			74.8		74.8				
Cash and cash equivalents	20			4.5		4.5				
Total financial assets not measured at fair value		**–**	**–**	**112.8**	**–**	**112.8**				
Financial liabilities not measured at fair value										
Non-current borrowings	22				240.4	240.4				
Other non-current liabilities (excluding non-current derivative liabilities)					1.0	1.0				
Current borrowings and bank loans	22				12.1	12.1				
Trade accounts payable					37.8	37.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	24				1.1	1.1				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**292.4**	**292.4**				

		December 31, 2018								
		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										
Derivative assets – current	19	0.2				0.2	–	0.2	–	0.2
Total financial assets measured at fair value		**0.2**	**0.0**	**–**	**–**	**0.2**	**–**	**0.2**	**0.0**	**0.2**
Financial assets not measured at fair value										
Non-current receivables (excluding non-current derivative assets)				0.3		0.3				
Trade accounts receivable	18			42.5		42.5				
Other current receivables (excluding current derivative assets and other taxes)	19			5.7		5.7				
Current financial assets (at amortized cost)	15			67.7		67.7				
Cash and cash equivalents	20			16.2		16.2				
Total financial assets not measured at fair value		**–**	**–**	**132.4**	**–**	**132.4**				
Financial liabilities not measured at fair value										
Non-current borrowings	22				249.9	249.9				
Other non-current liabilities (excluding non-current derivative liabilities)					1.3	1.3				
Current borrowings and bank loans	22				10.2	10.2				
Trade accounts payable					42.0	42.0				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	24				1.0	1.0				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**304.4**	**304.4**				

7 Personnel expenses

millions of CHF	2020	2019	2018
Salaries and wages	86.9	91.1	91.2
Defined contribution plan expenses	0.5	0.5	0.6
Defined benefit plan expenses	5.3	3.8	4.0
Cost of share-based payment transactions	0.5	0.4	0.2
Social benefit costs	14.3	13.8	13.1
Other personnel costs	1.5	2.8	3.0
Total personnel expenses	**109.1**	**112.4**	**112.2**

8 Employee benefit plans

The defined benefit obligation for the active members of pension plans is the present value of accrued pension obligations at balance sheet date considering future salary and pension increases as well as turnover rates (using the Project Unit Credit Method). The defined benefit obligation for the retirees is 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

			2020
millions of CHF	Funded plans Switzerland	Unfunded plans Germany	**Total**
Present value of funded defined benefit obligation	–82.5	–	–82.5
Fair value of plan assets (funded plans)	75.9	–	75.9
Overfunding / (underfunding)	**–6.6**	**–**	**–6.6**
Present value of unfunded defined benefit obligation	–	–1.6	–1.6
Asset / (liability) recognized in the balance sheet	**–6.6**	**–1.6**	**–8.3**
– thereof as liabilities under defined benefit obligation	–6.6	–1.6	–8.3
– thereof as other current receivables and prepaid expenses	–	–	–

			2019
millions of CHF	Funded plans Switzerland	Unfunded plans Germany	Total
Present value of funded defined benefit obligation	–82.0	–	–82.0
Fair value of plan assets	75.0	–	75.0
Overfunding / (underfunding)	**–7.0**	**–**	**–7.0**
Present value of unfunded defined benefit obligation		–1.7	–1.7
Asset / (liability) recognized in the balance sheet	**–7.0**	**–1.7**	**–8.7**
– thereof as liabilities under defined benefit obligation	–7.0	–1.7	–8.7
– thereof as other current receivables and prepaid expenses	–	–	–

			2018
millions of CHF	Funded plans Switzerland	Unfunded plans Germany	Total
Present value of funded defined benefit obligation	–67.0	–	–67.0
Fair value of plan assets	67.1	–	67.1
Overfunding / (underfunding)	**0.1**	**–**	**0.1**
Present value of unfunded defined benefit obligation		–1.5	–1.5
Asset / (liability) recognized in the balance sheet	**0.1**	**–1.5**	**–1.4**
– thereof as liabilities under defined benefit obligation	–0.7	–1.5	–2.2
– thereof as other current receivables and prepaid expenses	0.8	–	0.8

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, 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 also other companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contribution 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 ten employee and ten employer representatives. The total expenses recognized in the income statement in 2020 were CHF 5.3 million (2019: CHF 3.8 million, 2018: CHF 4.0 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 became due. The plan is closed for new joiners. Existing employees who participated in the defined benefit plan continued to be eligible for these defined benefit pensions. The defined benefit plan offers retirement pension and disability pension. The total expenses recognized in the income statement in 2020 were CHF 0.5 million (2019: CHF 0.5 million, 2018: CHF 0.6 million).

Employee benefit plans

millions of CHF	2020	2019	2018
Reconciliation of asset / (liability) recognized in the balance sheet			
Asset / (liability) recognized at January 1	–8.7	–1.4	–2.1
Defined benefit income / (expense) recognized in the income statement	–5.3	–3.8	–4.0
Defined benefit income / (expense) recognized in OCI	2.9	–6.4	1.4
Employer contribution	2.8	2.3	3.4
Currency translation differences	0.0	0.6	–0.0
Asset / (liability) recognized at December 31	**–8.3**	**–8.7**	**–1.4**
Components of defined benefit income / (expense) in the income statement			
Current service cost (employer)	–5.3	–3.8	–4.0
Interest expense	–0.1	–0.5	–0.3
Interest income on plan assets	0.1	0.5	0.3
Other administrative cost	–0.0	–0.0	–0.0
Income / (expense) recognized in the income statement	**–5.3**	**–3.8**	**–4.0**
– thereof charged to personnel expenses	–5.3	–3.8	–4.0
– thereof charged to financial expense	–0.0	–0.0	–0.0
Components of defined benefit gain / (loss) in OCI			
Actuarial gain / (loss) on defined benefit obligation	1.3	–7.8	0.0
Return on plan assets excl. interest income	1.6	1.4	1.4
Change in effect of asset ceiling excl. interest expense / (income)	–	–	–
Return on reimbursement right excl. interest income / (expenses)	–	–	–
Defined benefit gain / (loss) recognized in OCI[1)]	**2.9**	**–6.4**	**1.4**

1) The tax effect on defined benefit cost recognized in OCI amounted to CHF -0.4 million (2019: CHF 1.0 million, 2018: CHF -0.2 million).

Employee benefit plans

millions of CHF	2020	2019	2018
Reconciliation of defined benefit obligation			
Defined benefit obligation as of January 1	–83.7	–68.5	–63.7
Interest expense	–0.1	–0.5	–0.3
Current service cost (employer)	–5.3	–3.8	–4.0
Contributions by plan participants	–2.7	–2.6	–2.4
Benefits paid/deposited	6.4	–0.6	1.9
Other administrative cost	–0.0	–0.0	–0.0
Actuarial gain / (loss)	1.3	–7.8	0.0
Currency translation differences	0.0	0.1	0.1
Defined benefit obligation as of December 31 [1]	**–84.1**	**–83.7**	**–68.5**
Reconciliation of the fair value of plan assets			
Fair value of plan assets as of January 1	75.0	67.1	61.7
Interest income on plan assets	0.1	0.5	0.3
Employer contribution	2.8	2.3	3.4
Contributions by plan participants	2.7	2.6	2.4
Benefits paid/deposited	–6.4	0.6	–1.9
Return on plan assets excl. interest income	1.6	1.4	1.4
Currency translation differences	–	0.5	–0.1
Fair value of plan assets as of December 31	**75.9**	**75.0**	**67.1**
Total plan assets at fair value – quoted market price			
Cash and cash equivalents	4.8	5.7	2.6
Equity instruments	17.2	16.3	13.8
Debt instruments	23.0	23.0	21.6
Real estate funds	2.4	2.4	2.3
Others	4.4	4.2	3.5
Total assets at fair value – quoted market price as of December 31	**51.8**	**51.6**	**43.8**
Total plan assets at fair value – non-quoted market price			
Properties occupied by or used by third parties (real estate)	19.7	19.1	15.9
Others	4.4	4.2	7.4
Total assets at fair value – non-quoted market price as of December 31	**24.1**	**23.3**	**23.3**
Best estimate of contributions for upcoming financial year			
Contributions by the employer	2.8	2.8	2.3

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

Employee benefit plans

millions of CHF	2020	2019	2018
Components of defined benefit obligation, split			
Defined benefit obligation for active members	–21.3	–19.9	–16.1
Defined benefit obligation for pensioners	–62.5	–63.4	–52.1
Defined benefit obligation for deferred members	–0.3	–0.3	–0.3
Total defined benefit obligation at December 31	**–84.2**	**–83.7**	**–68.5**
Components of actuarial gain / (losses) on obligations			
Actuarial gain / (loss) arising from changes in financial assumptions	–1.0	–10.0	0.1
Actuarial gain / (loss) arising from changes in demographic assumptions	3.5	0.8	–0.0
Actuarial gain / (loss) arising from experience adjustments	–1.1	1.5	–0.1
Total actuarial gain / (loss) on defined benefit obligation	**1.3**	**–7.8**	**0.0**
Maturity profile of defined benefit obligation			
Weighted average duration of defined benefit obligation in years	10.6	10.6	11.1

Principal actuarial assumptions as of December 31

The following were the principal actuarial assumptions for the years 2020, 2019 and 2018:

	2020		2019		2018	
	Funded plans Switzerland	Unfunded plans Germany	Funded plans Switzerland	Unfunded plans Germany	Funded plans Switzerland	Unfunded plans Germany
Discount rate for active employees	0.2%	0.8%	0.3%	1.8%	0.9%	1.7%
Discount rate for pensioners	0.05%	0.8%	0.1%	1.8%	0.6%	1.7%
Future salary increases	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%
Future pension increases	0.0%	1.5%	0.0%	1.0%	0.0%	1.0%
Life expectancy at retirement age (male/female) in years	22/24	21/24	23/25	21/24	23/25	21/24

Sensitivity analysis of defined benefit obligation

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	2020	2019	2018
Discount rate (decrease 0.25 percentage points)	–2.4	–2.4	–1.9
Discount rate (increase 0.25 percentage points)	2.3	2.3	1.8
Future salary growth (decrease 0.25 percentage points)	0.2	0.2	0.2
Future salary growth (increase 0.25 percentage points)	–0.2	–0.2	–0.2
Life expectancy (decrease 1 year)	6.0	5.1	3.9
Life expectancy (increase 1 year)	–5.9	–5.0	–3.8

9 Other operating income and expenses

millions of CHF	2020	2019	2018
Gain from sale of property, plant and equipment	0.2	0.1	0.3
Operating currency exchange gains, net	1.2	–	1.3
Other operating income	0.8	0.5	2.1
Total other operating income	**2.3**	**0.6**	**3.7**
Restructuring expenses	–3.2	–13.7	–1.6
Impairments on tangible and intangible assets	–0.5	–1.3	–3.7
Cost for mergers and acquisitions	–	–	–0.2
Loss from sale of property, plant and equipment	–0.0	–0.1	–0.1
Operating currency exchange losses, net	–	–0.6	–
Total other operating expenses	**–3.7**	**–15.7**	**–5.6**
Total other operating income and expenses, net	**–1.5**	**–15.1**	**–1.9**

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

For 2020, medmix recognized restructuring costs of CHF 4.8 million (2019: CHF 13.7 million, 2018: CHF 1.6 million), partly offset by released restructuring provisions of CHF 1.6 million (2019: CHF 0.0 million, 2018: 0.0 million). The restructuring costs are mainly associated with the consolidation of two production facilities in Germany. The group further performed impairment tests on the related production machines and facilities leading to impairments of CHF 0.5 million (2019: CHF 1.3 million, 2018: CHF 3.7 million). For more details refer to note 12, note 13 and note 14.

The functional allocation of the total restructuring expenses and impairments is as follows: Cost of goods sold CHF –2.2 million (2019: CHF –6.4 million, 2018: CHF –3.4 million), selling and administrative expenses CHF –1.4 million (2019: CHF –7.9 million, 2018: CHF –1.6 million) and research and development expenses CHF –0.1 million (2019: CHF –0.6 million, 2018: CHF –0.3 million).

10 Financial income and expenses

millions of CHF	2020	2019	2018
Interest and securities income	0.2	0.3	0.1
Total interest and securities income	**0.2**	**0.3**	**0.1**
Interest expenses on borrowings and lease liabilities	–7.7	–7.3	–7.3
Total interest expenses	**–7.7**	**–7.3**	**–7.3**
Total interest income and expenses, net	**–7.5**	**–7.1**	**–7.2**
Other financial expenses	–0.1	–	–
Currency exchange gains/losses, net	–	–0.3	0.3
Total other financial income and expenses, net	**–0.1**	**–0.3**	**0.3**
Total financial income and expenses, net	**–7.6**	**–7.3**	**–6.9**
– thereof interest income on financial assets at amortized costs	0.2	0.3	0.1
– thereof other financial expenses	–0.1	–	–
– thereof currency exchange gains/losses, net	–	–0.3	0.3
– thereof interest expenses on borrowings	–7.2	–6.9	–7.3
– thereof interest expenses on lease liabilities	–0.5	–0.5	–

As of December 31, 2020, the total financial expenses, net amounted to CHF 7.6 million, compared with CHF 7.3 million in 2019 and CHF 6.9 million in 2018.

The Financial expenses are mainly driven by interest expenses on borrowings as a result of current and non-current borrowings with the Sulzer group.

11 Income taxes

millions of CHF	2020	2019	2018
Current income tax expenses	–5.7	–9.6	–10.3
Deferred income tax income	4.8	3.9	6.5
Total income tax expenses	**–0.8**	**–5.7**	**–3.8**

For the reconciliation of the income tax expenses, the group has applied the statutory tax rate of Sulzer Mixpac AG, Haag. The statutory tax rate has changed in 2020 since the St. Gallen canton has reduced the applicable tax rate.

Reconciliation of income tax expenses

millions of CHF	2020	2019	2018
Income before income tax expenses	10.5	30.9	56.1
medmix tax rate	**14.5%**	**17.4%**	**17.4%**
Income taxes at medmix tax rate	–1.5	–5.4	–9.7
Income taxed at different tax rates	3.9	3.5	4.0
Effect of tax loss carryforwards and allowances for deferred income tax assets	–5.4	–3.0	1.5
Expenses not deductible for tax purposes	–0.2	–0.1	–0.0
Effect of changes in tax rates and legislation	–0.0	–0.6	–0.1
Prior year items and others	2.4	–0.2	0.6
Total income tax expenses	**–0.8**	**–5.7**	**–3.8**
Effective income tax rate	8.1%	18.4%	6.8%

The effective income tax rate for 2020 is 8.1%. Effect of tax loss carryforwards and allowances of deferred income tax assets in the amount of CHF –5.4 million mainly consist of unrecognized tax loss carry-forwards, which will forfeit upon the spin-off of medmix from the Sulzer group. Prior year items and others in the amount of CHF 2.4 million includes the recognition of a tax asset upon the revaluation of intangible assets for tax purposes.

The effective income tax rate for 2019 is 18.4%. Effect of tax loss carryforwards and allowances of deferred income tax assets in the amount of CHF –3.0 million mainly consist of unrecognized tax loss carry-forwards, which will forfeit upon the spin-off of medmix from the Sulzer group.

The effective income tax rate for 2018 is 6.8%. Effect of tax loss carryforwards and allowances of deferred income tax assets in the amount of CHF 1.5 million includes a first-time recognition of tax loss carry-forwards in Switzerland.

Income tax liabilities

millions of CHF	2020	2019	2018
Balance as of January 1	6.4	10.3	12.4
Acquired through business combination	2.3	–	–
Additions	7.2	9.9	8.4
Released as no longer required	0.5	–0.2	–1.0
Utilized	–9.3	–13.7	–9.2
Currency translation differences	–0.0	–0.0	–0.2
Total income tax liabilities as of December 31	**6.9**	**6.4**	**10.3**
– thereof non-current	2.1	–	–
– thereof current	4.8	6.4	10.3

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

			2020
millions of CHF	Assets	Liabilities	**Net**
Intangible assets	3.1	–28.7	–25.7
Property, plant and equipment	1.4	–1.3	0.1
Inventories	1.4	–0.3	1.1
Other assets	1.0	–1.2	–0.2
Defined benefit obligations	0.9	–	0.9
Non-current provisions	0.3	–	0.3
Current provisions	0.1	–0.1	–0.0
Other liabilities	1.1	–0.1	1.0
Tax loss carryforwards	1.9	–	1.9
Tax assets/liabilities	**11.1**	**–31.6**	**–20.5**
Offset of assets and liabilities	–4.9	4.9	–
Net recorded deferred income tax assets and liabilities	6.2	–26.7	–20.5

			2019
millions of CHF	Assets	Liabilities	**Net**
Intangible assets	1.4	–26.7	–25.2
Property, plant and equipment	1.7	–0.5	1.2
Inventories	2.0	–0.6	1.3
Other assets	0.0	–0.3	–0.3
Defined benefit obligations	1.1	–	1.1
Non-current provisions	0.3	–	0.3
Current provisions	1.1	–0.1	1.0
Other liabilities	0.1	–0.1	–0.0
Tax loss carryforwards	0.8	–	0.8
Tax assets/liabilities	**8.5**	**–28.3**	**–19.8**
Offset of assets and liabilities	–4.4	4.4	–
Net recorded deferred income tax assets and liabilities	4.1	–23.9	–19.8

millions of CHF	Assets	Liabilities	Net
			2018
Intangible assets	0.7	–30.4	–29.7
Property, plant and equipment	1.2	–0.9	0.3
Inventories	2.4	–0.6	1.8
Other assets	2.2	–0.4	1.8
Defined benefit obligations	0.1	–	0.1
Non-current provisions	0.2	–	0.2
Current provisions	0.1	–0.1	0.1
Other liabilities	0.8	–2.8	–2.0
Tax loss carryforwards	2.1	–	2.1
Tax assets/liabilities	**9.8**	**–35.2**	**–25.4**
Offset of assets and liabilities	–6.0	6.0	–
Net recorded deferred income tax assets and liabilities	3.8	–29.2	–25.4

Cumulative deferred income taxes recorded in equity as of December 31, 2020, amounted to CHF 0.3 million (2019: CHF 0.7 million; 2018: CHF –0.2 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**
						2020
Intangible assets	–25.2	5.2	–	–5.6	–	–25.7
Property, plant and equipment	1.2	–1.1	–	–	0.1	0.1
Inventories	1.3	–0.2	–	–	–	1.1
Other assets	–0.3	0.1	–0.0	–	–	–0.2
Defined benefit obligations	1.1	0.2	–0.4	–	–	0.9
Non-current provisions	0.3	–0.0	–	–	–	0.3
Current provisions	1.0	–1.3	–	0.3	–	–0.0
Other liabilities	–0.0	1.0	–	–	–	1.0
Tax loss carryforwards	0.8	1.1	–	–	–	1.9
Total	**–19.8**	**4.8**	**–0.4**	**–5.3**	**0.1**	**–20.5**

millions of CHF	2019 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	–29.8	3.7	–	–	0.8	–25.2
Property, plant and equipment	0.3	0.9	–	–	–	1.2
Inventories	1.8	–0.5	–	–	–	1.3
Other assets	1.8	–2.0	–0.0	–	–	–0.3
Defined benefit obligations	0.1	0.0	1.0	–	–	1.1
Non-current provisions	0.2	0.1	–	–	–	0.3
Current provisions	0.1	0.9	–	–	–	1.0
Other liabilities	–2.0	2.1	–	–	–	–0.0
Tax loss carryforwards	2.1	–1.3	–	–	0.1	0.8
Total	**–25.4**	**3.9**	**1.0**	**–**	**0.9**	**–19.8**

millions of CHF	2018 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	–34.4	4.2	–	–0.4	0.9	–29.7
Property, plant and equipment	–0.6	0.9	–	–	–0.1	0.3
Inventories	1.5	0.3	–	–	–	1.8
Other assets	–0.5	2.2	0.0	–	–	1.8
Defined benefit obligations	0.1	0.2	–0.2	–	–	0.1
Non-current provisions	0.1	0.1	–	–	–	0.2
Current provisions	–0.0	0.1	–	–	–	0.1
Other liabilities	1.2	–3.3	–	–	0.1	–2.0
Tax loss carryforwards	0.3	1.8	–	–	–	2.1
Total	**–32.3**	**6.5**	**–0.2**	**–0.4**	**0.9**	**–25.4**

Tax loss carryforwards (TLCF)

millions of CHF	2020 Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
Expiring in the next 3 years	–	–	–	–	–
Expiring in 4–7 years	5.1	0.7	–	0.7	–
Available without limitation	39.1	10.3	–9.1	1.2	32.8
Total tax loss carryforwards as of December 31	**44.2**	**11.0**	**–9.1**	**1.9**	**32.8**

millions of CHF	2019 Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
Expiring in the next 3 years	–	–	–	–	–
Expiring in 4–7 years	–	–	–	–	–
Available without limitation	17.1	3.8	–3.0	0.8	11.9
Total tax loss carryforwards as of December 31	**17.1**	**3.8**	**–3.0**	**0.8**	**11.9**

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
					2018
Expiring in the next 3 years	6.2	0.8	–	0.8	–
Expiring in 4–7 years	6.2	0.7	–	0.7	–
Available without limitation	3.4	0.6	–	0.6	–
Total tax loss carryforwards as of December 31	**15.8**	**2.1**	**–**	**2.1**	**–**

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 32.8 million (2019: CHF 11.9 million; 2018: CHF 0.0 million).

12 Goodwill and other intangible assets

millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
						2020
Acquisition cost						
Balance as of January 1	217.4	69.3	5.5	14.8	208.2	515.2
Acquired through business combination	46.7	9.2	–	0.3	32.0	88.2
Additions	–	0.0	0.1	0.8	–	1.0
Disposals	–	–	–	–0.2	–	–0.2
Currency translation differences	–0.9	0.1	–0.0	–0.0	–2.8	–3.7
Balance as of December 31	**263.2**	**78.6**	**5.6**	**15.7**	**237.4**	**600.6**
Accumulated amortization and impairment losses						
Balance as of January 1	–	62.0	3.3	12.7	82.7	160.7
Additions	–	2.0	0.7	0.9	15.7	19.2
Disposals	–	–	–	–0.2	–	–0.2
Impairments	–	–	0.0	–	–	0.0
Currency translation differences	–	0.0	0.0	–0.1	–1.1	–1.2
Balance as of December 31	**–**	**64.0**	**4.0**	**13.3**	**97.3**	**178.6**
Net book value						
As of January 1	217.4	7.3	2.2	2.1	125.5	354.5
As of December 31	263.2	14.7	1.6	2.4	140.0	422.0

millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	2019 Total
Acquisition cost						
Balance as of January 1	221.5	68.9	5.4	14.4	214.2	524.5
Acquired through business combination	–	–	–	–	–	–
Additions	–	0.0	0.2	0.4	–	0.6
Disposals	–	–0.1	–0.0	–0.0	–0.5	–0.6
Currency translation differences	–4.1	0.6	–0.1	–0.0	–5.5	–9.2
Balance as of December 31	**217.4**	**69.3**	**5.5**	**14.8**	**208.2**	**515.2**
Accumulated amortization and impairment losses						
Balance as of January 1	–	60.2	2.5	11.6	68.9	143.2
Additions	–	1.9	0.9	0.9	15.2	19.0
Disposals	–	–0.1	–0.0	–0.0	–0.1	–0.2
Impairments	–	0.1	0.0	0.1	–	0.2
Currency translation differences	–	–0.1	–0.1	0.0	–1.3	–1.5
Balance as of December 31	**–**	**62.0**	**3.3**	**12.7**	**82.7**	**160.7**
Net book value						
As of January 1	221.5	8.7	3.0	2.8	145.3	381.2
As of December 31	217.4	7.3	2.2	2.1	125.5	354.5

millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	2018 Total
Acquisition cost						
Balance as of January 1	225.8	68.9	5.4	12.4	217.3	529.8
Acquired through business combination	1.3	0.2	–	–	2.5	4.0
Additions	–	0.0	0.3	2.0	0.1	2.4
Disposals	–	–	–	–0.0	–	–0.0
Currency translation differences	–5.6	–0.3	–0.2	–0.0	–5.7	–11.8
Balance as of December 31	**221.5**	**68.9**	**5.4**	**14.4**	**214.2**	**524.5**
Accumulated amortization and impairment losses						
Balance as of January 1	–	58.1	1.4	11.1	54.3	124.8
Additions	–	2.2	1.2	0.6	15.6	19.6
Disposals	–	–	–	–0.0	–	–0.0
Impairments	–	–	–	–	–	–
Currency translation differences	–	–0.1	–0.1	–0.0	–1.0	–1.2
Balance as of December 31	**–**	**60.2**	**2.5**	**11.6**	**68.9**	**143.2**
Net book value						
As of January 1	225.8	10.9	4.0	1.3	163.0	405.0
As of December 31	221.5	8.7	3.0	2.8	145.3	381.2

Goodwill impairment test

	2020			2019			2018		
millions of CHF	Goodwill	Growth rate residual value	Pre-tax discount rate	Goodwill	Growth rate residual value	Pre-tax discount rate	Goodwill	Growth rate residual value	Pre-tax discount rate
Healthcare	58.3	2.0%	5.6%	–			–		
Consumer & Industrial	204.9	2.0%	5.6%	–			–		
Applicator Systems	–			217.4	1.0%	6.1%	221.5	1.0%	6.1%
Total goodwill as of December 31	**263.2**			**217.4**			**221.5**		

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.

During the years 2018, 2019 and 2020 the Sulzer group performed the goodwill impairment tests for the cash-generating unit Applicator Systems including the two business areas Healthcare and Consumer & Industrial. For the combined and carve-out financial statements goodwill is monitored for the business areas Healthcare and Consumer & Industrial which have been identified as cash-generating units. Accordingly, the goodwill impairment test 2020 for the combined and carve-out financial statements was prepared for the two cash-generating units separately. The goodwill impairment test for 2018 and 2019 was not performed for the two CGU’s Healthcare and Consumer & Industrial separately but for Applicator Systems as a total. The group therefore disclosed the key assumptions made in estimating the recoverable amount for the CGU Applicator Systems for 2018 and 2019 and for the CGU’s Healthcare and Consumer & Industrial for 2020.

Impairment test 2020

The calculation is based on the budget for the first period (2021), the three-year strategic plan for subsequent two periods (2022–2023), and a management calculation for the next two periods (2024–2025). The budget has been approved by the Sulzer Board of Directors in December 2020 and the three-year strategic plan in February 2021. Cash flows beyond the planning period are extrapolated using a terminal value including the growth rates as stated above.

As of December 31, 2020, there is no indication for goodwill impairment.

Impairment test 2019

In order to prepare the impairment test based on approved budgets, the group shifted the yearly impairment test from December to March. The growth rate for the residual value and pre-tax discount rate for the 2019 impairment test are therefore identical to 2018, as disclosed in the table above.

The calculation uses the budget for the first period (2019), the three-year strategic plan for subsequent two periods (2020–2021), and a management calculation for the next two periods (2022–2023). The budget and the three-year strategic plan were approved by the Sulzer Board of Directors in February 2019. Cash flows beyond the planning period are extrapolated using a terminal value including the growth rates as stated above.

As of December 31, 2019, there is no indication for goodwill impairment.

Impairment test 2018

The impairment test was performed as of December 31, 2018. The calculation uses the budget for the first period (2019), the three-year strategic plan for subsequent two periods (2020–2021), and a management calculation for the next two periods (2022–2023). The budget was reviewed by the Sulzer Board of Directors. Cash flows beyond the planning period are extrapolated using a terminal value including the growth rates as stated above.

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.

Management identified that a reasonably possible change in the terminal growth rate or the pre-tax discount rate (two key assumptions) could not cause the carrying amount to exceed the recoverable amount.

13 Property, plant and equipment

					2020
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	**Total**
Acquisition cost					
Balance as of January 1	38.6	194.1	15.6	26.9	275.2
Acquired through business combination	2.8	4.2	0.6	5.5	13.1
Additions	1.3	8.4	1.0	31.5	42.1
Disposals	–0.3	–13.2	–2.5	–	–16.0
Reclassifications	2.3	14.2	1.8	–18.3	–
Currency translation differences	0.2	–3.8	–0.2	0.1	–3.7
Balance as of December 31	**44.9**	**204.0**	**16.3**	**45.7**	**310.8**
Accumulated depreciation					
Balance as of January 1	21.1	117.6	8.9	–	147.6
Additions	2.1	14.4	1.1	–	17.6
Disposals	–0.3	–11.6	–2.4	–	–14.3
Impairments	–	0.3	–	–	0.3
Currency translation differences	0.7	–2.0	–0.1	–	–1.4
Balance as of December 31	**23.5**	**118.8**	**7.5**	**–**	**149.8**
Net book value					
As of January 1	17.6	76.5	6.7	26.9	127.7
As of December 31	21.4	85.2	8.8	45.7	161.0

The group performed impairment tests on production machines and facilities, resulting in impairments of CHF 0.3 million as of December 31, 2020 (December 31, 2019: CHF 1.1 million, December 31, 2018: CHF 3.7 million), all of which were charged to other operating expenses.

In 2020 the group sold property, plant and equipment with a net book value of CHF 1.7 million for CHF 1.9 million resulting in a net gain of CHF 0.2 million (2019: property, plant and equipment sold for CHF 3.2 million with a net book value of CHF 3.2 million, resulting in a net gain of CHF 0.0 million; 2018: property, plant and equipment sold for CHF 1.6 million with a net book value of CHF 1.5 million, resulting in a net gain of CHF 0.1 million).

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	2019 Total
Acquisition cost					
Balance as of January 1	37.1	190.4	14.2	15.6	257.3
Additions	0.2	9.0	1.4	24.8	35.5
Disposals	–0.0	–13.3	–0.7	–	–13.9
Reclassifications	1.7	10.5	0.9	–13.1	–
Currency translation differences	–0.4	–2.5	–0.3	–0.4	–3.6
Balance as of December 31	**38.6**	**194.1**	**15.6**	**26.9**	**275.2**
Accumulated depreciation					
Balance as of January 1	18.7	113.9	8.4	–	141.0
Additions	2.1	14.8	0.7	–	17.7
Disposals	–0.0	–10.0	–0.7	–	–10.7
Impairments	0.2	0.8	0.2	–	1.1
Currency translation differences	0.1	–1.8	0.2	–	–1.6
Balance as of December 31	**21.1**	**117.6**	**8.9**	**–**	**147.6**
Net book value					
As of January 1	18.4	76.6	5.8	15.6	116.3
As of December 31	17.6	76.5	6.7	26.9	127.7

Property, plant and equipment was adjusted as of January 1, 2019, due to the first time application of IFRS 16 “Leases”. Further details are provided in note 27.1.

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	2018 Total
Acquisition cost					
Balance as of January 1	38.2	183.1	13.1	14.2	248.6
Acquired through business combination	–	–0.5	–	–0.2	–0.7
Additions	0.1	12.0	1.4	14.3	27.7
Disposals	–0.2	–12.0	–0.5	–	–12.7
Reclassifications	0.7	11.0	0.6	–12.4	–
Currency translation differences	–0.4	–3.2	–0.3	–0.3	–4.2
Balance as of December 31	**38.4**	**190.4**	**14.3**	**15.6**	**258.7**
Accumulated depreciation					
Balance as of January 1	16.7	105.6	8.3	–	130.6
Additions	2.1	16.6	0.8	–	19.5
Disposals	–	–10.7	–0.5	–	–11.2
Impairments	–	3.7	-	–	3.7
Currency translation differences	–0.1	–1.3	–0.1	–	–1.5
Balance as of December 31	**18.7**	**113.9**	**8.4**	**–**	**141.0**
Net book value					
As of January 1	21.5	77.5	4.8	14.2	118.0
As of December 31	19.7	76.6	5.8	15.6	117.7

The contractual commitments to acquire property, plant and equipment as of December 31, 2020, amounted to CHF 3.2 million (December 31, 2019: CHF 0.0 million, December 31, 2018: CHF 0.0 million).

14 Leases

The group applied IFRS 16 “Leases” as of January 1, 2019, using the modified retrospective approach, under which comparative information is not restated. Accordingly, no information for 2018 is presented. The lease assets and lease liabilities as of January 1, 2019, have been restated. Further details are provided in note 27.1.

Lease assets

				2020
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	**Total**
Balance as of January 1	21.1	2.3	0.6	24.1
Acquired through business combination	2.1	0.0	0.3	2.4
Additions	25.1	1.5	0.3	26.9
Disposals	–	–	–0.0	–0.0
Depreciation	–5.1	–0.3	–0.4	–5.8
Impairments	–0.2	–	–	–0.2
Remeasurements and contract modifications	–0.5	–	–	–0.5
Currency translation differences	–0.7	–0.0	–0.0	–0.7
Total lease assets as of December 31	**41.7**	**3.6**	**0.9**	**46.1**

				2019
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	**Total**
Balance as of January 1	26.3	0.0	0.7	27.0
Acquired through business combination	–	–	–	–
Additions	2.4	2.4	0.3	5.2
Disposals	–	–	–	–
Depreciation	–4.7	–0.1	–0.4	–5.2
Impairments	–	–	–	–
Remeasurements and contract modifications	–2.8	–	–	–2.8
Currency translation differences	–0.1	–0.0	–0.0	–0.1
Total lease assets as of December 31	**21.1**	**2.3**	**0.6**	**24.1**

Lease liabilities

millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
			2020
Balance as of January 1	18.8	5.3	24.2
Acquired through business combination	1.6	0.9	2.4
Additions	25.9	1.0	26.9
Interest expenses	0.4	0.1	0.5
Cash flow for repayments – principal portion	–0.6	–5.5	–6.0
Cash flow for repayments – interest portion	–0.4	–0.1	–0.5
Remeasurements and contract modifications	–0.5	–	–0.5
Reclassifications	–4.7	4.7	–
Currency translation differences	–0.6	–0.1	–0.8
Total lease liabilities as of December 31	**39.9**	**6.4**	**46.2**

millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
			2019
Balance as of January 1	22.3	4.7	27.0
Acquired through business combination	–	–	–
Additions	3.3	1.8	5.2
Interest expenses	0.4	0.1	0.5
Cash flow for repayments – principal portion	–	–5.2	–5.2
Cash flow for repayments – interest portion	–0.4	–0.1	–0.5
Remeasurements and contract modifications	–2.7	0.0	–2.7
Reclassifications	–4.1	4.1	–
Currency translation differences	–0.0	–0.0	–0.1
Total lease liabilities as of December 31	**18.8**	**5.3**	**24.2**

Other leasing disclosures

millions of CHF	2020	2019
Recognized in the income statement		
Expenses relating to short-term leases	–0.2	–0.4
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	–1.3	–1.6
Expenses relating to variable lease payments not included in the lease liability	–0.2	–0.2
Interest expenses on lease liabilities	–0.5	–0.5
Total recognized in the income statement	**–2.1**	**–2.6**
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	–2.2
Cash flow for repayments of interests on lease liabilities (included within cash flow from operating activities)	–0.5	–0.5
Cash flow for repayments of the principal portion on lease liabilities (included within cash flow from financing activities)	–6.0	–5.2
Total cash outflow	**–8.2**	**–7.9**

15 Financial assets and borrowings related to the cash pool with the Sulzer group

The following financial assets and borrowings are related to the cash pool with the Sulzer group.

millions of CHF	2020	2019	2018
Cash pool debit balances with the Sulzer group	31.4	58.5	67.7
Other cash deposits with the Sulzer group	-	16.3	-
Total current financial assets	**31.4**	**74.8**	**67.7**
Cash pool credit balances with the Sulzer group	14.1	3.7	1.0
Total borrowings related to the cash pool	**14.1**	**3.7**	**1.0**
Net balance	**17.3**	**71.1**	**66.6**

16 Inventories

millions of CHF	2020	2019	2018
Raw materials, supplies and consumables	18.7	17.7	20.0
Work in progress	16.0	11.6	16.9
Finished products and trade merchandise	28.3	32.9	26.8
Total inventories as of December 31	**63.0**	**62.3**	**63.6**

In 2020, the group recognized write-downs of CHF 5.3 million (2019: CHF 2.0 million, 2018: CHF 3.5 million) in the income statement. Total accumulated write-downs on inventories amounted to CHF 11.4 million as of December 31, 2020 (2019: CHF 7.2 million, 2018: CHF 7.9 million). Material expenses in 2020 amounted to CHF 120.0 million (2019: CHF 130.2 million, 2018: CHF 123.2 million).

17 Assets and liabilities related to contracts with customers

millions of CHF	2020	2019	2018
Revenue recognized over time related to ongoing performance obligations	1.4	1.5	1.7
Revenue recognized over time	**1.4**	**1.5**	**1.7**
Revenue recognized at a point in time	349.9	419.2	452.3
Revenue	**351.3**	**420.7**	**454.0**
– thereof revenue recognized included in the contract liability balance at the beginning of the period	3.9	1.3	0.0
Cost of goods sold recognized over time related to ongoing performance obligations	–1.4	–1.5	–0.6
Cost of goods sold recognized over time related to satisfied performance obligations	0.0	0.0	0.0
Cost of goods sold recognized over time	**–1.4**	**–1.5**	**–0.6**
Cost of goods sold recognized at a point in time	–228.8	–256.8	–280.8
Cost of goods sold	**–230.2**	**–258.3**	**–281.4**
Gross profit recognized over time related to ongoing performance obligations	0.0	0.0	1.1
Gross profit recognized over time	**0.0**	**0.0**	**1.1**
Gross profit recognized at a point in time	121.1	162.4	171.5
Gross profit	**121.1**	**162.4**	**172.6**
Contract assets from revenue recognized over time relating to ongoing performance obligations	2.7	1.3	1.7
Netting with contract liabilities	–2.7	–	–
Contract assets	**0.0**	**1.3**	**1.7**
Contract liabilities from costs recognized over time relating to ongoing performance obligations	1.3	0.6	1.0
Advance payments from customers relating to point in time contracts	2.8	1.1	0.0
Advance payments from customers relating to over time contracts	3.7	2.3	0.0
Netting with contract assets	–2.7	0.0	0.0
Contract liabilities	**5.0**	**3.9**	**1.0**
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	82.0	60.8	63.1
– thereof expected to be recognized as revenue within 12 months	82.0	60.8	63.1

18 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value
				2020
Not past due	0.3%	19.3	–0.1	19.3
Past due				
1–30 days	0.5%	5.8	–0.0	5.8
31–60 days	8.2%	0.5	–0.0	0.5
61–120 days	7.6%	0.4	–0.0	0.4
>120 days	92.6%	1.3	–1.2	0.1
Total trade accounts receivable as of December 31		**27.4**	**–1.3**	**26.1**

millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value
				2019
Not past due	0.2%	20.5	–0.1	20.4
Past due				
1–30 days	0.4%	5.7	–0.0	5.6
31–60 days	2.6%	1.3	–0.0	1.3
61–120 days	3.6%	0.3	–0.0	0.3
>120 days	68.9%	2.1	–1.4	0.6
Total trade accounts receivable as of December 31		**29.8**	**–1.5**	**28.3**

millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value
				2018
Not past due	0.2%	28.4	–0.1	28.3
Past due				
1–30 days	0.3%	8.7	–0.0	8.7
31–60 days	1.4%	3.5	–0.1	3.4
61–120 days	5.9%	1.2	–0.1	1.2
>120 days	42.2%	1.6	–0.7	0.9
Total trade accounts receivable as of December 31		**43.4**	**–0.9**	**42.5**

Allowance for doubtful trade accounts receivable

millions of CHF	2020	2019	2018
Balance as of January 1	1.5	0.9	0.5
Additions	0.4	0.7	0.8
Released as no longer required	–0.6	–0.0	–0.2
Utilized	–0.0	–0.0	–0.2
Currency translation differences	–0.0	–0.0	–0.0
Balance as of December 31	**1.3**	**1.5**	**0.9**

Approximately 8% (2019: 12%, 2018: 15%) of the gross amount of trade accounts receivable were past due for more than 30 days, and an allowance of CHF 1.3 million (2019: CHF 1.5 million, 2018: CHF 0.9 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. Due to COVID-19, the group reassessed in 2020 the expected credit losses by applying updated forward-looking information such as development of gross domestic product (GDP). The allowance for doubtful trade accounts receivable increased by CHF 0.1 million as a consequence of the reassessment.

Accounts receivable by geographical region

millions of CHF	2020	2019	2018
Europe, the Middle East and Africa	**15.4**	**15.0**	**26.3**
– thereof Germany	10.2	9.7	13.6
– thereof Switzerland	4.0	4.0	10.3
Americas	**7.9**	**10.1**	**13.3**
Asia-Pacific	**2.7**	**3.1**	**2.9**
Total as of December 31	**26.1**	**28.3**	**42.5**

19 Other current receivables and prepaid expenses

millions of CHF	2020	2019	2018
Taxes (VAT, withholding tax)	4.0	2.4	4.6
Derivative financial instruments	0.3	–	0.1
Other current receivables	6.5	5.3	5.7
Total other current receivables as of December 31	**10.9**	**7.7**	**10.4**
Total prepaid expenses as of December 31	**2.7**	**3.8**	**5.6**
Total other current receivables and prepaid expenses as of December 31	**13.6**	**11.5**	**15.9**

As of December 31, 2020, "Other current receivables" include CHF 3.6 million receivables or accrued income from Sulzer Group (2019: CHF 3.8 million, 2018: CHF 3.7 million).

20 Cash and cash equivalents

millions of CHF	2020	2019	2018
Cash	13.7	3.0	14.6
Cash equivalents	1.1	1.4	1.7
Total cash and cash equivalents as of December 31	**14.8**	**4.5**	**16.2**

21 Equity

The equity attributable to the owners of the group consists of the net assets attributable to the group and represents the cumulative net investment by the Sulzer group through the years presented.

Share capital

The combined and carved-out entities and businesses have historically not formed a group and the group has no historical capital structure. Consequently, no share capital has been presented for the group.

Contributions from the Sulzer group

Some changes in net assets allocated between the Sulzer group and medmix are presented separately in the combined and carve-out financial statements through the line “contribution from the Sulzer group” in the statement of changes in equity reflecting the internal activities between the Sulzer group and medmix during the periods presented. These primarily relate to acquisitions as described further below and recharges for vested Sulzer shares under the existing Sulzer share plans.

On October 1, 2020, the group received a contribution from the Sulzer group related to the acquisition of Haselmeier amounting to CHF 82.0 million. The contribution is disclosed under “contribution from Sulzer group” in the statement of changes in equity. Refer to note 4 for further details.

On August 31, 2018, the group received a contribution from the Sulzer group related to the acquisition of Medmix Systems AG amounting to CHF 4.2 million. The contribution is disclosed under “contribution from Sulzer group” in the statement of changes in equity. Refer to note 4 for further details.

Retained earnings

The retained earnings include prior years’ undistributed income of the combined companies and carved-out businesses and all remeasurements of the net liability for defined benefit plans.

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 combined entities and carved-out net assets, whose currency differs from the reporting currency of the group.

Dividends

Dividends include distributed dividends of the group to the Sulzer group for all the years presented.

22 Borrowings

The group is mainly financed through current and non-current borrowings with the Sulzer group. The group plans to refinance these borrowings after the spin-off with non-current external bank loans.

millions of CHF	Non-current borrowings	Current borrowings	Total
			2020
Balance as of January 1	240.4	12.1	252.5
Cash flow from proceeds	–	37.4	37.4
Cash flow for repayments	–	–22.2	–22.2
Assumed through business combination	23.0	–	23.0
Reclassifications	–19.6	19.6	–
Currency translation differences	–4.2	–0.4	–4.6
Total borrowings as of December 31	**239.5**	**46.5**	**286.0**

millions of CHF	Non-current borrowings	Current borrowings	Total
			2019
Balance as of January 1	248.6	10.1	258.7
Cash flow from proceeds	–	14.6	14.6
Cash flow for repayments	–	–13.4	–13.4
Reclassifications	–1.0	1.0	–
Currency translation differences	–7.3	–0.2	–7.5
Total borrowings as of December 31	**240.4**	**12.1**	**252.5**

millions of CHF	Non-current borrowings	Current borrowings	Total
			2018
Balance as of January 1	255.4	11.9	267.3
Cash flow from proceeds	15.0	10.8	25.8
Cash flow for repayments	–0.6	–24.4	–25.0
Reclassifications	–12.1	12.1	0.0
Currency translation differences	–7.9	–0.2	–8.0
Total borrowings as of December 31	**249.9**	**10.2**	**260.1**

Related to the Haselmeier acquisition in 2020 medmix assumed non-current borrowings of CHF 23.0 million through business combinations, as disclosed in note 4.

The borrowings have been adjusted as of January 1, 2019, due to the first time application of IFRS 16 “Leases”. Further details are provided in note 27.1.

Borrowings by currency

	millions of CHF	in %	Interest rate
			2020
CHF	17.3	6.0	1.0%
EUR	220.7	77.2	2.7%
GBP	13.8	4.8	2.1%
PLN	6.9	2.4	1.3%
USD	27.2	9.5	2.0%
Total as of December 31	**286.0**	**100.0**	**–**

			2019
	millions of CHF	in %	Interest rate
CHF	4.4	1.7	1.0%
EUR	192.5	76.2	2.7%
GBP	14.7	5.8	2.1%
PLN	4.0	1.6	1.3%
USD	36.9	14.6	2.1%
Total as of December 31	**252.5**	**100.0**	**–**

			2018
	millions of CHF	in %	Interest rate
CHF	1.2	0.5	1.0%
EUR	205.7	79.1	2.7%
GBP	14.4	5.5	2.1%
PLN	0.0	0.0	2.0%
USD	38.9	14.9	2.1%
Total as of December 31	**260.1**	**100.0**	**–**

23 Provisions

					2020
millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Other	**Total**
Balance as of January 1	3.5	0.7	11.4	3.3	18.9
Acquired through business combination	–	0.0	–	3.5	3.5
Additions	1.1	0.8	4.8	5.0	11.7
Released as no longer required	–	–0.1	–1.6	–1.8	–3.5
Utilized	–0.6	–0.0	–8.8	–1.2	–10.5
Currency translation differences	–0.0	–0.0	–0.1	–0.0	–0.1
Total provisions as of December 31	**4.0**	**1.3**	**5.8**	**8.7**	**19.9**
– thereof non-current	3.2	–	–	1.3	4.5
– thereof current	0.8	1.3	5.8	7.4	15.4

					2019
millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Other	**Total**
Balance as of January 1	3.3	0.6	1.0	3.3	8.3
Acquired through business combination	–	–	–	–	–
Additions	0.8	0.1	13.7	2.7	17.3
Released as no longer required	–	–0.0	–0.0	–1.1	–1.2
Utilized	–0.6	–0.0	–3.0	–1.6	–5.2
Currency translation differences	–0.0	–0.0	–0.2	–0.1	–0.4
Total provisions as of December 31	**3.5**	**0.7**	**11.4**	**3.3**	**18.9**
– thereof non-current	3.1	–	–	0.3	3.3
– thereof current	0.4	0.7	11.4	3.0	15.5

millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Other	Total
					2018
Balance as of January 1	3.1	1.1	1.1	4.1	9.4
Acquired through business combination	–	–	–	0.1	0.1
Additions	0.6	0.3	1.6	2.9	5.5
Released as no longer required	–	–0.8	–	–0.8	–1.6
Utilized	–0.5	–0.0	–1.7	–3.1	–5.4
Currency translation differences	0.1	–0.0	–0.0	0.2	0.3
Total provisions as of December 31	**3.3**	**0.6**	**1.0**	**3.3**	**8.3**
– thereof non-current	2.9	–	–	0.3	3.1
– thereof current	0.5	0.6	1.0	3.1	5.1

The category “Other employee benefits” includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees for all three years.

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

For 2020, medmix recognized restructuring costs of CHF 4.8 million (2019: CHF 13.7 million, 2018: CHF 1.6 million), partly offset by released restructuring provisions of CHF -1.6 million (2019: CHF 0.0 million, 2018: CHF 0.0 million). The restructuring costs are mainly associated with the consolidation of two production facilities in Germany. The remaining restructuring provision as of December 31, 2020, is CHF 5.8 million (2019: CHF 11.4 million, 2018: CHF 1.0 million).

“Other” includes provisions that do not fit into the aforementioned categories. Although medmix expects a large part of the category “Other” to be realized in 2021, by their nature the amounts and timing of any cash outflows are difficult to predict.

24 Other current and accrued liabilities

millions of CHF	2020	2019	2018
Taxes (VAT, withholding tax)	1.3	0.5	0.5
Contingent consideration	0.5	-	-
Other current liabilities	3.1	1.2	1.6
Total other current liabilities as of December 31	**4.8**	**1.7**	**2.1**
Contract-related costs	0.5	0.5	0.5
Salaries, wages and bonuses	8.5	7.5	7.9
Vacation and overtime claims	1.5	2.5	3.3
Other accrued liabilities	11.1	12.6	10.2
Total accrued liabilities as of December 31	**21.7**	**23.1**	**21.9**
Total other current and accrued liabilities as of December 31	**26.5**	**24.8**	**24.0**

25 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	2020	2019	2018
Performance share plan	0.5	0.4	0.2
Total charged to personnel expenses	**0.5**	**0.4**	**0.2**

Performance share plan settled in Sulzer shares

The Sulzer group operates a long-term incentive plan that covers the members of the Executive Committee and the members of the Sulzer Management Group. For employees of the medmix group participating in the Sulzer long-term incentive plan, the share-based payment expenses have been calculated based on the number of PSU received under the Sulzer performance share plans. Accordingly, the group disclosed the relevant information for the Sulzer performance share plans.

Performance share units (PSU) are granted annually depending on the organizational position of the employee. Vesting of the PSU is subject to continuous employment and to the achievement of performance conditions over the performance period. Participants are not entitled to dividends declared during the vesting period. Vesting of the performance share plans (PSP) is based on three performance conditions: operational income before restructuring, amortization, impairments and non-operational items (operational profit) growth over the performance period (weighted 25%), average operational return on capital employed (operational ROCEA) (weighted 25%), and on Sulzer’s total return to shareholders (TSR), compared to a selected group of ten peer companies and the SMIM Index (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 PSU at grant date using a Monte Carlo simulation:

Grant year	2020	2019	2018	2017	2016
Fair value at grant date	78.18	115.95	143.62	116.02	118.05
Share price at grant date	76.05	92.46	120.60	104.80	98.50
Expected volatility	37.45%	29.64%	29.12%	25.10%	25.46%
Risk-free interest rate	–0.64%	–0.57%	–0.42%	–0.56%	–0.73%

The expected volatility of the Sulzer share, the peer group companies, and the SMIM Index 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, the peer companies and the SMIM Index. 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	2020	2019	2018	2017	2016
Number of awards granted	15’598	5’844	3’475	2’018	583
Grant date	June 1, 2020	April 1, 2019	July 1, 2018	April 1, 2017	August 1, 2016
Performance period for cumulative operational profit	01/20–12/22	01/19–12/21	01/18–12/20	01/17–12/19	01/16–12/18
Performance period for TSR	01/20–12/22	01/19–12/21	01/18–12/20	01/17–12/19	01/16–12/18
Fair value at grant date in CHF	78.18	115.95	143.62	116.02	118.05

Performance share units

Grant year	2020	2019	2018	2017	2016	Total
Outstanding as of January 1, 2018	–	–	–	2’018	583	2’601
Granted	–	–	3’475	–	–	3’475
Exercised	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–
Outstanding as of December 31, 2018	**–**	**–**	**3’475**	**2’018**	**583**	**6’076**
Outstanding as of January 1, 2019	–	–	3’475	2’018	583	6’076
Granted	–	5’844		–	–	5’844
Exercised	–	–	–390	–105	–583	–1’078
Forfeited	–	–	–278	–10	–	–288
Outstanding as of December 31, 2019	**–**	**5’844**	**2’807**	**1’903**	**–**	**10’554**
Outstanding as of January 1, 2020	–	5’844	2’807	1’903	–	10’554
Granted	15’598	–	–	–	–	15’598
Exercised	–999	–1’469	–1’152	–1’903	–	–5’523
Forfeited	–3’564	–1’778	–541	–	–	–5’883
Outstanding as of December 31, 2020	**11’035**	**2’597**	**1’114**	**–**	**–**	**14’746**

26 Related party transactions and key management compensation

The following table summarizes the income statement impact of related party transactions with the Sulzer group:

millions of CHF	2020	2019	2018
Revenue	0.1	0.1	0.2
Gross profit	**0.1**	**0.1**	**0.2**
Selling and administrative expenses	–11.8	–12.3	–9.0
Research and development expenses	0.1	0.2	–
Operating income (EBIT)	**–11.6**	**–12.0**	**–8.8**
Interest and securities income	0.2	0.1	0.1
Interest expenses	–6.6	–6.1	–6.7
Net income	**–18.0**	**–18.0**	**–15.4**

The following table summarizes the impact of related party transactions with the Sulzer group on the balance sheet.

millions of CHF	2020	2019	2018
Current assets			
Trade accounts receivable	0.2	0.3	0.1
Other current receivables and prepaid expenses	4.1	4.0	3.9
Current financial assets	31.4	74.8	67.7
Total current assets	**35.7**	**79.1**	**71.8**
Total assets as of December 31	**35.7**	**79.1**	**71.8**
Non-current liabilities			
Non-current borrowings	236.8	240.4	248.6
Total non-current liabilities	**236.8**	**240.4**	**248.6**
Current liabilities			
Current borrowings	37.5	7.6	1.0
Trade accounts payable	0.2	0.5	0.3
Other current and accrued liabilities	0.3	0.1	0.2
Total current liabilities	**38.1**	**8.2**	**1.5**
Total liabilities as of December 31	**274.9**	**248.6**	**250.2**

Transactions with Sulzer comprise primarily current financial assets and current borrowings related to the cash pool, charges for corporate support functions, centrally procured indirect spend utilized by medmix, as well as intercompany borrowings from Sulzer and related interest expenses.

Key management compensation

A breakdown of the key management compensation for the executive committee is shown in the table below. Throughout the reporting periods, the group did not have a parent entity and therefore no Board of Directors.

thousands of CHF	2020	2019	2018
Short-term benefits	2'183	2'228	2'260
Equity-based compensation	554	251	160
Pension and social security contributions	570	341	311
Total	**3'307**	**2'821**	**2'730**

27 Key accounting policies and valuation methods

27.1 Change in accounting policies

a) Standards, amendments and interpretations which are effective for 2020

A number of new standards and amendments to standards have become effective as of January 1, 2020, but they do not have a material effect on the group's financial statements.

b) Standards, amendments and interpretations which are effective for 2019

IFRS 16 "Leases"

The group initially adopted IFRS 16 "Leases" as of January 1, 2019.

IFRS 16 introduced a single, on-balance-sheet accounting model for lessees. As a result, the group recognized lease assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The group does not act as a lessor.

The group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 was not restated. The changes of the accounting policies are disclosed below.

Definition of a lease

Previously the group determined at contract inception whether an arrangement was, or contained, a lease under IFRIC 4 “Determining whether an arrangement contains a lease”. The group now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

Accounting policies for leases

For details on accounting policies, refer to note 27.8.

Significant accounting estimates

For details on critical accounting estimates and judgments, refer to note 5.

Transition

For finance leases, the carrying amount of the lease assets and the lease liability at January 1, 2019, were determined at the carrying amount of the lease assets and lease liability under IAS 17 immediately before that date.

For operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group’s incremental borrowing rate as of January 1, 2019. Lease assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Impacts on transition

The following table summarizes the impact of IFRS 16 on the combined and carve-out balance sheet as of January 1, 2019.

Balance sheet

millions of CHF	December 31, 2018, before adopting IFRS 16	Adjustment IFRS 16 finance leases	Adjustment IFRS 16 operating leases	January 1, 2019, adjusted
Non-current assets				
Goodwill	221.5			221.5
Other intangible assets	159.7			159.7
Property, plant and equipment	117.7	–1.4		116.3
Lease assets	–	1.4	25.6	27.0
Associates	–			–
Other financial assets	0.0			0.0
Non-current receivables	0.3			0.3
Deferred income tax assets	3.8			3.8
Total non-current assets	**503.1**	**–**	**25.6**	**528.7**
Current assets				
Inventories	63.6			63.6
Current income tax receivables	1.3			1.3
Advance payments to suppliers	6.0			6.0
Contract assets	1.7			1.7
Trade accounts receivable	42.5			42.5
Other current receivables and prepaid expenses	15.9			15.9
Cash and cash equivalents	82.9			16.2
Total current assets	**213.9**	**–**	**–**	**215.0**
Total assets	**717.0**	**–**	**25.6**	**743.7**
Equity				
Owner's equity	339.7			339.7
Equity attributable to shareholders of medmix	**339.7**	**–**	**–**	**339.7**
Total equity	**339.7**	**–**	**–**	**339.7**
Non-current liabilities				
Non-current borrowings	249.9	–1.3		248.6
Non-current lease liabilities	–	1.3	21.1	22.3
Deferred income tax liabilities	29.2			29.2
Defined benefit obligations	2.2			2.2
Non-current provisions	3.1			3.1
Other non-current liabilities	1.3			1.3
Total non-current liabilities	**285.7**	**–**	**21.1**	**306.8**
Current liabilities				
Current borrowings	9.2	–0.1		10.1
Current lease liabilities	–	0.1	4.6	4.7
Current income tax liabilities	10.3			10.3
Current provisions	5.1			5.1
Contract liabilities	1.0			1.0
Trade accounts payable	42.0			42.0
Other current and accrued liabilities	24.0			24.0
Total current liabilities	**91.6**	**–**	**4.6**	**97.2**

Total liabilities	**377.3**	**–**	**25.6**	**404.0**
Total equity and liabilities	**717.0**	**–**	**25.6**	**743.7**

When measuring lease liabilities that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.7%.

millions of CHF	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed before adoption of IFRS 16	25.8
Discounted using the incremental borrowing rate at January 1, 2019	–0.2
Recognition exemption for leases with less than 12 months of lease term at transition (short-term leases)	0.0
Recognition exemption for leases of low value assets	0.0
Total adjusted operating leases at December 31, 2018	**25.6**
Finance lease liabilities recognized at December 31, 2018	1.4
Total lease liabilities recognized at January 1, 2019	**27.0**
– thereof non-current lease liabilities	22.3
– thereof current lease liabilities	4.7

Impacts for the period

Balance sheet

millions of CHF	December 31, 2019 (as reported)	Adjustments	December 31, 2019 (without adoption of IFRS 16)
Non-current assets			
Lease assets	24.1	–22.8	1.3
Total non-current assets	**510.4**	**–22.8**	**487.6**
Current assets			
Total current assets	**186.6**	**–**	**186.6**
Total assets	**697.0**	**–22.8**	**674.2**
Equity			
Owner's equity	295.1	–0.1	295.0
Equity attributable to shareholders of medmix	**295.1**	**–0.1**	**295.0**
Total equity	**295.1**	**–0.1**	**295.0**
Non-current liabilities			
Non-current lease liabilities	18.8	–17.5	1.3
Total non-current liabilities	**296.1**	**–17.5**	**278.5**
Current liabilities			
Current lease liabilities	5.3	–5.2	0.1
Total current liabilities	**105.8**	**–5.2**	**100.6**
Total liabilities	**401.9**	**–22.7**	**379.2**
Total equity and liabilities	**697.0**	**–22.8**	**674.2**

As a result of initially applying IFRS 16, the group recognized CHF 22.8 million of lease assets and CHF 22.7 million of lease liabilities as of December 31, 2019, for leases previously classified as operating leases.

Income statement

millions of CHF	2019 (as reported)	Adjustments	2019 (without adoption of IFRS 16)
EBIT	**38.2**	**–0.2**	**38.0**
Interest expenses	–7.3	0.2	–7.2
Income before income tax expenses	**30.9**	**–0.1**	**30.9**
Net income	**25.2**	**–0.1**	**25.2**

As a result of initially applying IFRS 16, the group recognized depreciation and interest expenses, instead of operating lease expenses, related to leases under IFRS 16. During 2019, the group recognized CHF 5.2 million of depreciation charges and CHF 0.2 million of interest expenses. Due to the recognition of the depreciation and interest expenses compared to the operating lease expenses, the application of IFRS 16 had a positive impact of CHF 0.1 million on the group’s net income.

Statement of cash flows

millions of CHF	2019 (as reported)	Adjustments	2019 (without adoption of IFRS 16)
Cash and cash equivalents as of January 1	**16.2**	**–**	**16.2**
Net income	25.2	–0.1	25.2
Interest expenses	7.3	–0.2	7.2
Depreciation, amortization and impairments	43.2	–5.2	38.0
Other non-cash items	–5.3	0.0	–5.2
Interest paid	–7.3	0.2	–7.2
Total cash flow from operating activities	**89.1**	**–5.2**	**83.9**
Total cash flow from investing activities	**–39.6**	**–**	**–39.6**
Payments of lease liabilities	–5.2	5.2	–
Total cash flow from financing activities	**–56.4**	**5.2**	**–51.1**
Net change in cash and cash equivalents	**–9.1**	**–**	**–9.1**
Cash and cash equivalents as of December 31	**7.1**	**–**	**7.1**

As a result of initially applying IFRS 16, the group recognized leasing payments for the principal portion of the lease liability as part of the financing activities, instead of operating activities (shift from operating activities to financing activities). During 2019, the group paid CHF 5.2 million of lease liabilities.

Lease assets and lease liabilities

For details on the positions “Lease assets” and “Lease liabilities”, refer to note 14.

Deferred taxes

The group reflects the future tax impacts of leases and recognizes deferred taxes. When recognizing deferred taxes the group assessed the lease assets and lease liabilities together as single or “integrally linked” transactions and assessed the net temporary differences. For details on the deferred taxes, refer to note 11.

Practical expedients

In applying IFRS 16 for the first time, the group used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 became effective as of January 1, 2019. The interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments. The group’s accounting policy for uncertain income tax treatments is consistent with the requirements in IFRIC 23.

The group initially adopted IFRIC 23 “Uncertainty over Income Tax Treatments” as of January 1, 2019. The new interpretations do not have an impact on the group’s financial statements. The group’s accounting policy for uncertain income tax treatments is consistent with the requirements in IFRIC 23.

c) Standards, amendments and interpretations issued but not yet effective which the group has decided not to early adopt

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

27.2 Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group (see note 27.2 b). 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 (see note 27.5 a). 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.

27.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting which will be provided to the medmix 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.

27.4 Foreign currency translation

a) Functional and presentation currency

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

The following table shows the major currency exchange rates for the reporting periods 2020, 2019 and 2018:

	2020		2019		2018	
CHF	**Average rate**	**Year-end rate**	**Average rate**	**Year-end rate**	**Average rate**	**Year-end rate**
1 EUR	1.07	1.08	1.11	1.09	1.16	1.13
1 GBP	1.20	1.20	1.27	1.27	1.31	1.25
1 USD	0.94	0.88	0.99	0.97	0.98	0.99
100 CNY	13.60	13.49	14.38	13.91	14.80	14.32

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) Foreign operations

The results and balance sheet positions of all foreign operations that have 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, and
- 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.

27.5 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 ten 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 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.

27.6 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

27.7 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 pre-tax, 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).

27.8 Lease assets and lease liabilities

The group recognizes lease assets and lease liabilities for most leases (these leases are on-balance-sheet). 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.

27.9 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.

The 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 item 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.

27.10 Derivative financial instruments and hedging activities

The group uses derivative financial instruments, such as forward currency contracts, other forward contracts and options, 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 which 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 which 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, as well as 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.

27.11 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.

27.12 Inventories

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. Inventories are valued by reference to weighted average costs. Provisions are made for slow-moving and excess inventories.

27.13 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).

27.14 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.

27.15 Trade payables

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

27.16 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.

27.17 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 combined and carve-out 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.

27.18 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 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 OCI. 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 to be 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 entities provide other employee benefits like “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 medmix 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”.

27.19 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 pre-tax 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.

27.20 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) as well as 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 (that is, 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 (for example, upon making a prepayment for a specified product).

There are two methods to recognize revenues:

- **Point in time method:** Revenue recognition when the performance obligation is satisfied at a certain point in time.
- **Over time method:** Revenues, 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:

- Customer simultaneously receives/consumes as the group performs
- The group creates/enhances an asset and customer controls it during this process
- 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 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 which are tailor-made to customer's specifications — Multi-stage process which 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 and business areas
- 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 to 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 pays 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.

27.21 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 is expected to be completed within one year. A non-current asset or a group of assets classified as "held for sale" shall be measured at the lower of its carrying amount or fair value less selling cost.

28 Subsequent events after the balance sheet date

Subsequent events have been considered for adjustment of disclosure up to August 16, 2021, the date these combined and carve-out financial statements were authorized for issue.

Since the balance sheet date of December 31, 2020, the following transactions have been carried out that significantly impacted the financing structure of the group.

- Dividend distribution by Sulzer Mixpac AG to the Sulzer group, in the amount of CHF 34.0 million, financed by a loan from Sulzer to Sulzer Mixpac AG in the amount of CHF 35.0 million;
- Dividend distribution of Sulzer Mixpac USA Inc. to the Sulzer group, in the amount of USD 8.0 million;
- Acquisition of Sulzer Mixpac (UK) Ltd. from Sulzer (UK) Holding Ltd. by Sulzer Mixpac AG for GBP 14.0 million, financed by a loan from Sulzer to Sulzer Mixpac AG in the amount of CHF 17.9 million. Sulzer Mixpac (UK) has been included in the combined and carve-out financial statements for all the years presented, whereas the loan between Sulzer and Sulzer Mixpac AG represents a subsequent event after the balance sheet;

- On May 25, 2021, Sulzer (as borrower) entered into a loan agreement with Sulzer Capital B.V., a subsidiary of Sulzer (as lender), in the amount of CHF 80.0 million. The loan is due for payment to Sulzer on June 30, 2021. As part of the debt split between Sulzer and medmix, the unfulfilled part of the loan agreement with Sulzer Capital B.V., namely the repayment and interest payment obligations under the loan agreement, will be transferred to medmix in the course of the spin-off, while the loan proceeds will remain with Sulzer.

As a result of the above transactions the equity of medmix will decrease by approximately CHF 140.0 million compared to the balance sheet as of December 31, 2020. Its financial net debt will increase by the same amount.

29 Major group companies and business

	Major group companies and business	Equity participation	Registered capital (including paid-in capital in the USA and Canada)	Research and development	Production and engineering	Sales	Service
Europe							
Switzerland	Sulzer Mixpac AG, Haag	100%	CHF 100'000	●	●	●	
	Sulzer Management AG, Winterthur	n/a[2)]	CHF 500'000				
	Haselmeier AG[1)], St. Gallen	100%	CHF 2'000'000	●			
	Medmix Systems AG[3)], Rotkreuz	100%	178'572	●	●	●	●
Czech Republic	Haselmeier s.r.o.[1)], Dnesice	100%	CZK 50'200'000		●		
Germany	Sulzer APS Deutschland Holding GmbH, Bechhofen	100%	EUR 870'000				
	Geka GmbH, Bechhofen	100%	EUR 878'600	●	●	●	●
	Sulzer Mixpac Deutschland GmbH, Kiel	100%	EUR 26'000	●	●	●	●
	Haselmeier GmbH[1)], Stuttgart	100%	EUR 2'027'700	●		●	●
Great Britain	Sulzer Mixpac (UK) Ltd., Hungerford	100%	GBP 1'000'000		●	●	
Poland	Sulzer Mixpac Poland Sp. z o.o., Nowa Wies Wroclawska	100%	PLN 5'000		●		
North America							
USA	Sulzer Mixpac USA Inc., Salem, New Hampshire	100%	USD 100			●	
	Geka Manufacturing Corporation, Elgin, Illinois	100%	USD 603'719		●	●	●
Central and South America							
Brazil	Geka do Brasil Indústria e Comércio de Embalagens Ltda., Cotia	100%	BRL 15'009'794		●	●	●
Asia							
People's Republic of China	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	n/a[2)]	CNY 61'432'607	●	●	●	●

1) Acquired in 2020.

2) The entity is not part of the medmix group but a part of the business has been carved out for the combined and carve-out financial statements.

3) Acquired in 2018 and merged with Mixpac AG in 2019.

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Report of the Independent Auditor to the Board of Directors of Sulzer AG on the Combined and Carve-out Financial Statements 2020, 2019 and 2018 of its medmix Business

Opinion

We have audited the combined and carve-out financial statements of medmix Business of Sulzer AG and certain of its subsidiaries as set out in note 1 (the Reporting Entity), which comprise the combined and carve-out balance sheets as of December 31, 2020, 2019 and 2018, the combined and carve-out income statements, the combined and carve-out statements of comprehensive income, changes in equity and cash flows for each of the years then ended, and the notes to the combined and carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined and carve-out financial statements give a true and fair view of the combined and carve-out financial position of the Reporting Entity as of December 31, 2020, 2019 and 2018, and its combined and carve-out financial performance and its combined and carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined and Carve-out Financial Statements section of our report. We are independent of the Reporting Entity in accordance with the requirements of 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.

Emphasis of Matter – Basis of Preparation

We draw attention to notes 1.1 and 1.2 to the combined and carve-out financial statements, which describe their basis of preparation, including the approach to and the purpose for preparing them and that the preparation involves allocations of assets, liabilities, revenue, income and expenses. Consequently, the combined and carve-out financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Reporting Entity had operated as an independent entity nor may they be indicative of the results of operations of the Reporting Entity for any future period. The combined and carve-out financial statements were prepared in the context of preparation of capital market access. As a result, the combined and carve-out financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibility of the Board of Directors for the Combined and Carve-Out Financial Statements

The Board of Directors of Sulzer AG is responsible for the preparation and fair presentation of these combined and carve-out financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of combined and carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined and carve-out financial statements, the Board of Directors is responsible for assessing the Reporting Entity'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 Reporting Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Combined and Carve-out Financial Statements
Our objectives are to obtain reasonable assurance about whether the combined and carve-out 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 ISAs 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 combined and carve-out financial statements.

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

- Identify and assess the risks of material misstatement of the combined and carve-out 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 Reporting Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- 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 Reporting Entity'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 combined and carve-out 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 Reporting Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined and carve-out financial statements, including the disclosures, and whether the combined and carve-out 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 Reporting Entity to express an opinion on the combined and carve-out financial statements. We

are responsible for the direction, supervision and performance of the 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.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert

Simon Niklaus
Licensed Audit Expert

Zurich, August 16, 2021

Enclosure:
- Combined and carve-out financial statements, which comprise the combined and carve-out balance sheets as of December 31, 2020, 2019 and 2018,the combined and carve-out income statements, the combined and carve-out statements of comprehensive income, changes in equity and cash flows for each of the years then ended, and the notes to the combined and carve-out financial statements