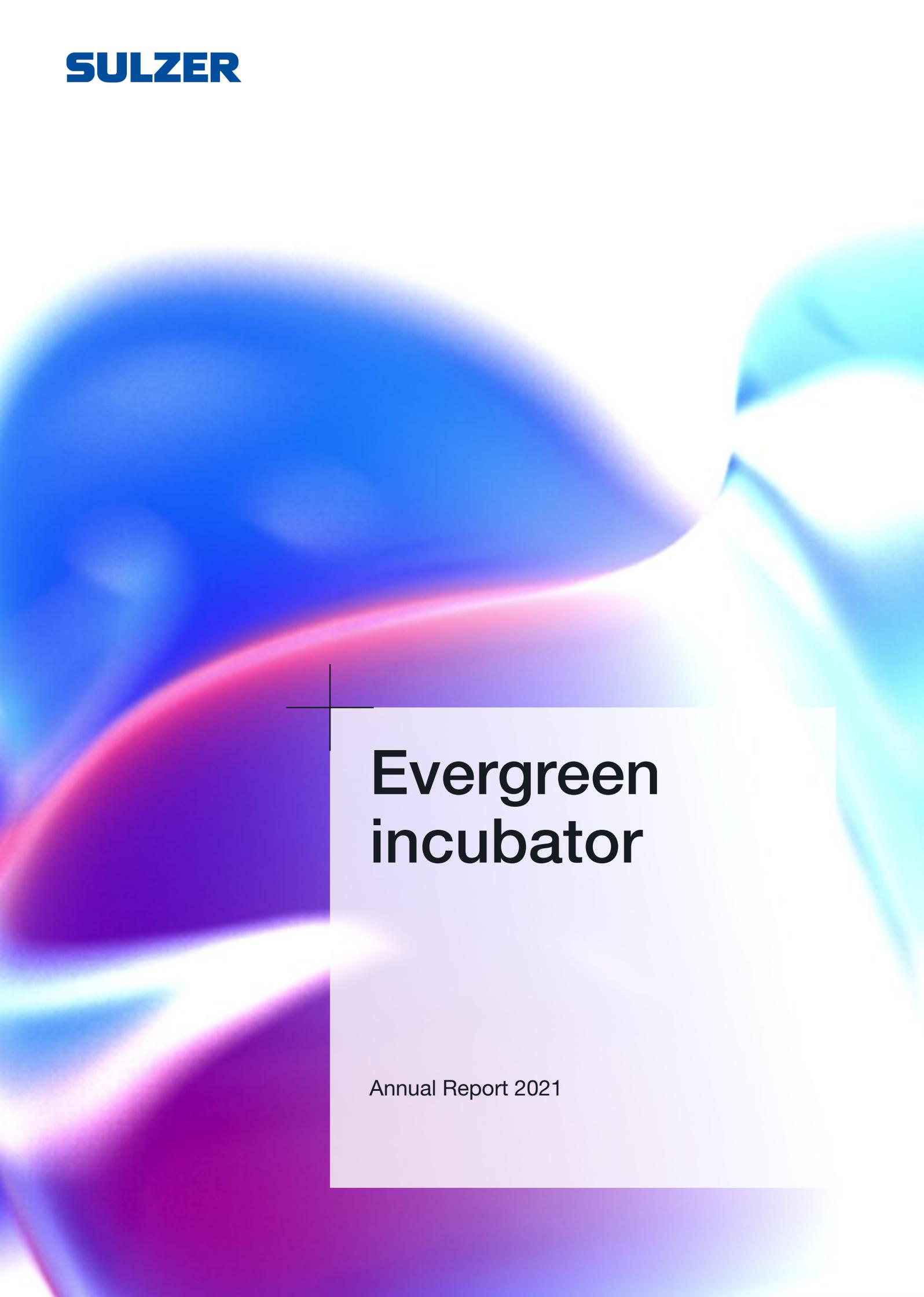


SULZER



Evergreen incubator

Annual Report 2021

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Dear Shareholder,

2021 was an eventful and pivotal year for Sulzer. All three of Sulzer's divisions reached record profitability in 2021 — an achievement rendered all the more impressive by the significant disruptions in global supply chains and the ongoing challenges caused by the pandemic. 2021 was also the year in which medmix was successfully spun off and made its debut on the SIX Swiss Exchange. The spin-off, and Sulzer's strong performance throughout the year, created close to CHF 2 billion in shareholder value. With Sulzer's transformation complete, renewed focus on its core businesses following the medmix demerger and the elevation of internal talent to form a new leadership team in December 2021 as part of our strategic succession plan, Sulzer is in a strong position to continue on its profitable growth path.

Record profitability

In 2021, Sulzer's order intake increased by 3.6%, ahead of our guidance. All businesses across Sulzer's three divisions grew except for Energy-related activities, which were affected by the anticipated softer market conditions. Our strategic focus markets, Water and Renewables, grew organically by 11.4% and 94.9% respectively.

Sales increased strongly by 6.0%, in line with our guidance, despite headwinds in supply chains and logistics. Operational profitability reached a record 9.3%, beating pre-pandemic levels, with all three divisions contributing to this outstanding achievement. In 2021, we once again generated strong free cash flow, reaching CHF 239 million, further strengthening our balance sheet.



“During my tenure as CEO, we have returned Sulzer to growth, expanded our activities with increasing focus on sustainable solutions and delivered record profitability for all three divisions. Sulzer is in great shape, and the medmix spin-off will stimulate accelerated profitable growth for both businesses. After six transformative and highly enjoyable years at Sulzer, I am excited to hand over the baton to Frederic Lalanne, who I have worked with for many years. I am confident that he will take the company from strength to strength.”

Greg Poux-Guillaume
CEO



Flow Equipment's largest single business – Water

In January 2021, we acquired Nordic Water, a leading supplier of water treatment technology. This acquisition has further strengthened our Water business – we have one of the largest complete portfolios of water pumping and treatment solutions, and Water now represents the biggest single market segment in the Flow Equipment division (39%). In this report, you can read more about our diverse range of [water treatment solutions and how we help to protect this most precious natural resource](#) throughout the entire water life cycle.

Sulzer's latest successful incubation: medmix

In 2021, medmix became the latest success story in Sulzer's proven track record of incubating businesses and industry-leading technologies. Applicator Systems began as a start-up in Sulzer's Chemtech division, a venture that culminated in its listing on the SIX Swiss Exchange as an independent company with an enterprise value of roughly CHF 2 billion.

The spin-off unlocked significant value for Sulzer shareholders. It has also allowed Sulzer to once again refocus and reinvent itself, as it has done so many times throughout its history. Sulzer is now a pure play flow-control company, using its expertise to improve lives and develop innovative and sustainable solutions to many of society's most pressing problems. You can read more in this report about Sulzer's long history as an evergreen incubator – how the company has remained relevant over two hundred years by developing pioneering technologies and businesses and consistently reinventing itself to take on the next challenge.

Refreshing the Sulzer brand

As part of Sulzer's latest recalibration and the renewed focus on our core flow-control business activities, in 2021 we decided to refresh the Sulzer brand and update our division names. The changes reflect our new positioning as well as the widened scope of solutions and services that our divisions have evolved to provide.

Pumps Equipment became **Flow Equipment** to encompass all of our offering, which expands far beyond pumps: compressors, grinders, agitators, digital and our comprehensive portfolio of water treatment solutions. Rotating Equipment Services became **Services**, encapsulating the growth of the business into a full-spectrum service provider — moving beyond equipment that rotates. **Chemtech** retained its name, but its journey towards renewable applications is well under way.

A new leadership team to shape the next phase of Sulzer's journey

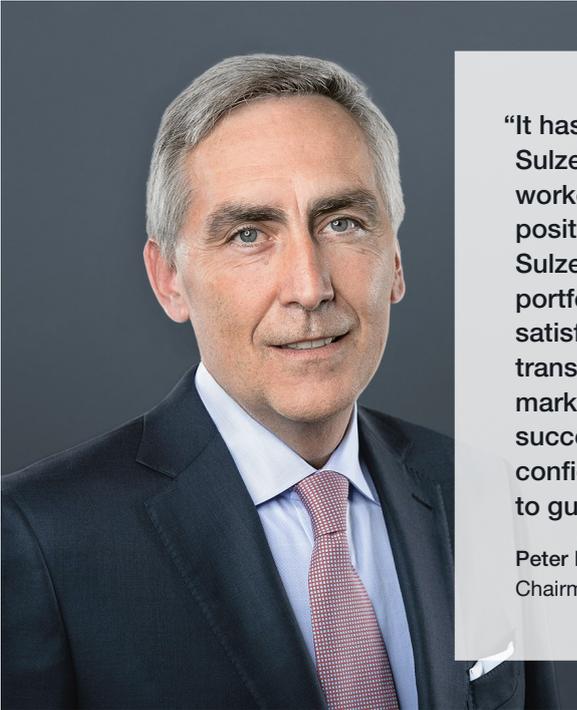
After a successful transformation under the leadership of Greg Poux-Guillaume and his team, we announced in 2021 that Sulzer would be elevating successors from within its own ranks, as part of its strategic succession planning. Sulzer has undergone a significant transformation over the last few years through a combination of strategic repositioning, significant operational improvement and value-creating management and acquisitions. Following the highly successful medmix spin-off and at the conclusion of a year of record performance, a number of our long-tenured leaders expressed the desire to hand over their responsibilities to a renewed leadership team that will shape the next stage of the company's development.

After eight years as the Chairman of Sulzer, Peter Löscher will not stand for reelection at the next annual general meeting (AGM) in April. The Board has voted to propose Dr. Suzanne Thoma to a shareholder vote as Sulzer's Chairwoman. Suzanne is an experienced business leader with a strong track record as the CEO of a publicly traded company. The Board is convinced that Suzanne, with her experience in the chemicals, energy and infrastructure services industries, is well-equipped to be an outstanding successor to Peter and to further develop Sulzer's strategy based on the company's strong momentum.

Greg Poux-Guillaume decided to step down as Sulzer's CEO. After six transformational years leading Sulzer, and with the company in great shape, he hands over his responsibilities to Frederic Lalanne, providing the perfect balance of experience and continuity. During his five years at Sulzer, Frederic led the turnaround of the Flow Equipment division from loss-making to an operational profitability of over 6%. He was also instrumental in Sulzer's portfolio repositioning, pushing the development of our Water business and expanding our offering far beyond the traditional pumps. He initially joined Sulzer in 2016 as Group Chief Commercial and Marketing Officer, a role in which he modernized and energized Sulzer's commercial approach and processes across all our businesses.

Daniel Bischofberger, President of the Services division, is stepping down to take on the role of CEO of ABB Turbocharging, after a successful tenure in charge of our re-energized Service business. Daniel has been replaced by Tim Schulten, formerly our Group Head of Strategy, Marketing and Digital. Tim has extensive experience in running service and parts businesses, gained during his tenure at Caterpillar and engine-maker MWM GmbH. With Daniel's support, he has hit the ground running.

While these changes are significant, they are part of our strategic succession-planning process. All replacements are internal, a testament to the good performance of Sulzer and to the quality of the leaders that we cultivate within the company.



“It has been an honour and a privilege to serve as Chairman of Sulzer for eight successful years. Under my leadership, the Board worked hand in hand with a re-energized executive team to position Sulzer in markets driven by sustainability. We leveraged Sulzer’s ability to innovate to transform the company’s business portfolio, its culture and its performance. It is my great personal satisfaction to see that our strategy, which our employees transformed into outstanding results, has been embraced by the markets and positions the company for long term, sustainable success. Sulzer now begins another chapter, and the Board is confident that we have a strong and highly capable set of leaders to guide the next stage of our development.”

Peter Löscher
Chairman of the Board of Directors



Sustainable Sulzer

The transformation and recalibration that Sulzer has undertaken over the last few years has been built with sustainability at its core. Much of our efforts are now focused on innovating to solve some of society’s most pressing environmental problems. Our technologies are helping companies and industries worldwide to reduce emissions and waste by enabling a circular economy, carbon capture and storage, renewable fuels and materials, recycling, cutting-edge techniques for energy production, and comprehensive water life-cycle management — while also creating value for our shareholders in these future-focused business areas.

In 2021, we launched a comprehensive new environmental, social and governance (ESG) strategy — Sustainable Sulzer. The plan is composed of three pillars, which target Sulzer’s own carbon footprint, fostering a greener society with our products and contributions to circular and renewable technologies, and engaging our employees and communities to build a safer, more inclusive, and more sustainable future. For our emissions, we set an ambitious target: 30 by 30, neutral by 50. We will reduce our carbon emissions 30% by 2030 (compared with 2019) and become carbon neutral by 2050.

Further reflecting our increasing focus on sustainability, Sulzer will now publish a dedicated sustainability report. This model will help us to report fully on all our sustainability activities, and to provide detailed updates to all our stakeholders on our progress against our targets. The first report will be published in the second quarter of 2022 and will follow the yearly reporting cycle thereafter.

Outlook for 2022

We expect continued growth in our markets, despite uncertainties linked to the pandemic, bottlenecks in supply and logistics, increased input costs, monetary tightening and a volatile macro environment. Against this background, Sulzer has started the year with a high order backlog and strong commercial momentum, fuelled by our focus on growing Water and Industry in Flow Equipment, expanding our Services business and boosting Chemtech’s leadership in Renewables.

Following another highly successful year for Sulzer, we take this opportunity to extend our heartfelt thanks to our employees for their commitment and excellent performance. We also thank our loyal customers, shareholders and partners for the ongoing trust in Sulzer and the fruitful collaboration of the last few years.

Kind regards,



Peter Löscher
Chairman of the Board



Greg Poux-Guillaume
CEO

Sustainable flow-control innovation

Sulzer is a global leader in fluid engineering, with two centuries of experience developing innovative products and services that drive sustainable progress — and help our customers build a better world.

We specialize in pumping, agitation, mixing, separation and purification technologies for fluids of all types. Our customers benefit from our commitment to innovation, performance and quality through our responsive network of 180 world-class manufacturing facilities and service centers across the globe.



Flow Equipment

Wherever fluids are treated, pumped or mixed, we deliver highly innovative and reliable solutions for the most demanding applications.



Services

We are your partner for uptime and enhanced performance for your rotating equipment and more. Our dedicated people provide unrivalled service and expertise to meet your operational needs — anytime, anywhere.

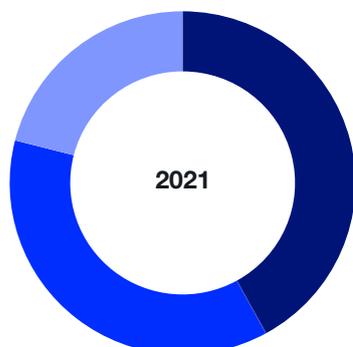


Chemtech

When superior chemical processing and separation technologies matter most, we enable our customers to operate world-class plants and produce high-value products.

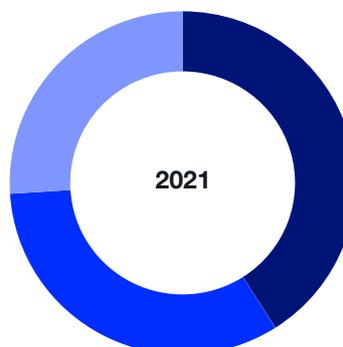
Our key figures

Order intake by division



- 42% Flow Equipment
- 37% Services
- 21% Chemtech

Order intake by region



- 41% Europe, the Middle East and Africa
- 33% Americas
- 26% Asia-Pacific

Key figures

millions of CHF	2021	2020 ¹⁾	Change in +/- %	+/- % adjusted ²⁾	+/- % organic ³⁾
Order intake from continuing operations	3'167.6	3'049.2	3.9	3.6	0.9
Order intake gross margin from continuing operations	33.1%	32.6%			
Order backlog from continuing operations as of December 31	1'724.1	1'676.8	2.8		
Sales from continuing operations	3'155.3	2'967.8	6.3	6.0	3.5
EBIT from continuing operations	221.8	132.5	67.4		
Operational profit from continuing operations	293.3	255.0	15.1	14.1	10.9
Operational profitability from continuing operations	9.3%	8.6%			
Operational ROCEA from continuing operations	22.7%	21.3%			
Core net income from continuing operations	195.3	165.6	17.9		
Net income from continuing operations	140.7	71.5	96.7		
Basic earnings per share from continuing operations (in CHF)	4.10	2.00	104.9		
Free cash flow (FCF)	238.7	272.1	-12.3		
Net debt as of December 31	66.8	414.5	-83.9		
Employees (number of full-time equivalents) from continuing operations as of December 31	13'816	13'197	4.7		

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

2) Adjusted for currency effects.

3) Adjusted for acquisition and currency effects.

Stock market information

	2021	2020	2019	2018	2017
Registered share (in CHF)					
– high	144.40	110.50	113.40	137.50	129.90
– low ¹⁾	92.35	40.12	75.15	76.30	102.30
– year-end ¹⁾	134.85	93.10	108.00	78.05	118.20
Market capitalization as of December 31 ¹⁾					
– number of shares outstanding	33'727'637	33'835'903	34'021'446	33'950'499	34'043'093
– in millions of CHF	4'548	3'150	3'674	2'650	4'024
– in percentage of equity	357%	224%	232%	163%	240%
P/E ratio as of December 31	3.2x	37.8x	23.9x	21.9x	48.4x
Dividend yield as of December 31	2.6%	4.3%	3.7%	4.5%	3.0%

1) Including CHF 45.00 per share from medmix spin-off.

Data per share

CHF	2021	2020	2019	2018	2017
Net income attributable to a shareholder of Sulzer Ltd	41.93	2.46	4.52	3.56	2.44
Change from prior year	1'603%	–46%	27%	46%	41%
Equity attributable to a shareholder of Sulzer Ltd	37.80	41.50	46.50	48.00	49.40
Ordinary dividend	3.50 ¹⁾	4.00	4.00	3.50	3.50
Payout ratio	8%	163%	88%	98%	143%
Average number of shares outstanding	33'788'006	33'970'141	34'026'442	31'934'459	34'084'133

1) Proposal to the Annual General Meeting.

Shareholder structure as of December 31, 2021

Number of shares	Number of shareholders	Shareholding
1–100	4'170	0.7%
101–1'000	4'783	4.6%
1'001–10'000	580	4.6%
10'001–100'000	95	8.2%
More than 100'000	11	58.7%
Total registered shareholders and shares (excluding treasury shares Sulzer Ltd)	9'639	76.7%



Two centuries of technological leadership

Since Sulzer's founding in 1834, the company has been at the forefront of technological advancement across a wide range of industries. In a year when Sulzer's Applicator Systems division was spun off to create medmix, a newly independent global leader in high-precision delivery devices, we take a look at some of Sulzer's achievements and historical milestones: how the company has incubated technologies and businesses as an innovative pioneer over almost 200 years.

One theme remains particularly constant throughout Sulzer's history: the company has never been afraid to reinvent itself. As times, industries and technologies change, so does Sulzer — constantly reshaping its business as new opportunities arise, and others mature, to meet the evolving needs of our society.

The first steam and diesel engines

In 1851, the visionary British engineer Charles Brown moved from the UK to Switzerland to join Sulzer, which had already established an international reputation for engineering. Brown worked for 20 years at Sulzer, during which time he carried out pioneering work developing early steam engines. In 1871, Brown co-founded the Swiss Locomotive and Machine Works, which was eventually taken over by Sulzer in 1961 to continue a legacy of over 100 years of railway engineering. In 1998, Sulzer sold its railway business in parts to Stadler Rail and Bombardier to focus on faster-growing core activities and provide a better fit for the further development of the businesses.

A similar chain of events has played out in other industries — Sulzer innovating to develop solutions to society's problems. This is how Sulzer's name came to be inseparably linked to some of the most important developments of the last two centuries. In 1898, Rudolf Diesel's work at Sulzer led to the invention of the first diesel engine and 100 years of diesel engineering for Sulzer, until the company once again recalibrated its core focus and sold the diesel business to Wärtsilä in 1997. Sulzer began

producing turbo compressors and turbines in the mid-twentieth century, and while the production parts of the business were variously sold to MAN and ABB, and later to Alstom and Siemens, the decades-long expertise with the machinery still forms a core part of Sulzer's Services division today.

From military planes to prosthetics

Sulzer's precision casting, used for example in the twentieth century for specialized parts in military planes, was the spark that ignited Sulzer's activities in a completely new field — orthopedic implants. Thanks to a great deal of research and innovation over the following decades, Sulzer Medica's portfolio included cardiac pacemakers, vascular prostheses and heart valves in addition to more than 400 different prosthesis variants by the time it was sold to Zimmer in 2003 — where it remains a very successful part of the business. These are but a few examples of how Sulzer's legacy endures across industries — and how the technologies it incubated are still central to today's products and machinery.

Sulzer's latest creation: medmix

Fast-forward to 2021, and Sulzer successfully completed the spin-off of its Applicator Systems division, renamed medmix. As part of the Sulzer family, medmix became a global leader in high-precision delivery devices for markets ranging from healthcare to adhesives and beauty. The division's roots trace back to 2006, when Sulzer acquired Mixpac, Werfo and Mold. These acquisitions, combined with the expertise of Sulzer's Chemtech division, allowed Sulzer to revolutionize the mixing, dispensing and application of multicomponent materials. Sulzer created the Applicator Systems division in 2017 to encompass this newest niche, and in 2021, the business was ready to stand on its own. With a valuation close to CHF 2 billion, profit margins of 25% and over 900 active patents, medmix's success and innovations touch billions of people's lives — from its contributions to healthcare devices to the glue that sticks the pieces of your car together, and even to your makeup.



Sustainable solutions to society's problems

The spin-off has allowed Sulzer to once again refocus and reinvent itself, as it has done so many times throughout its history. Sulzer is now a pure play flow-control company, using its expertise to improve lives and solve many of society's pressing problems.

Water is now the largest business in Sulzer's Flow Equipment division, and its comprehensive portfolio of water treatment solutions mean that it provides for every stage of the water life cycle. Our products ensure that fresh, clean water is brought to millions of people worldwide, for use in our homes, farms and industries, while protecting this most precious natural resource.

And as the world prioritizes the essential goal of decarbonization, Sulzer continues to lead the way. Our technologies are helping companies and industries worldwide to reduce emissions and waste through the circular economy, carbon capture and storage, renewable fuels and materials, recycling, and novel techniques for energy production. Discover in this report how Sulzer's technology is central to most production facilities for [degradable polylactic acid \(PLA\) bioplastics](#) worldwide, or how we are helping to create [biogas from sludge during water treatment](#) so that these electricity-intensive facilities can achieve energy neutrality. And almost 90 years on from Sulzer's development of weaving machines and the successful textile business that followed, the company has once again entered textiles, this time with core separation technology to recycle them.

In a world where the pace of change is only accelerating, nothing lasts forever. Times change, our society evolves and the problems to be solved mutate. Thanks to Sulzer's unparalleled ability to incubate new technologies and reinvent itself, the company has stayed relevant over 180 years and continues to develop highly innovative solutions to the world's problems. Sulzer's most exciting business is always the next one.

[More information about our products and services at www.sulzer.com.](http://www.sulzer.com) 



Making waves in the water industry

The ability of water utilities to support global demands ultimately depends on the infrastructures used and the technologies that these facilities leverage. For decades, Sulzer has been developing and expanding its business to create a comprehensive portfolio of water treatment solutions for all stages of the water life cycle. Our state-of-the-art solutions and services allow water to be collected, purified, transported, desalinated and more — protecting this precious natural resource and saving energy with innovative treatment techniques.

Life on Earth relies on an invaluable and indispensable resource — water. The water industry is therefore fundamental to our survival, from supplying safe drinking water to the world's population to providing irrigation on farms producing our food, all the way to wastewater treatment to close the loop. As a full-spectrum service provider of treatment solutions, Sulzer helps water utilities worldwide to ensure that these demands are met with the highest levels of reliability and efficiency.

Wastewater in particular has changed dramatically in recent years. It contains less water but more solids and fibrous materials, which places tough new demands on collection networks. Sulzer's innovative range of pumps, grinders, solids-handling hydraulics and smart controllers are specially designed to meet these challenges, ensuring that water is efficiently recovered with minimal disruption and waste at collection facilities across the globe. Our screens, grinders, pumps, mixers, compressors, aeration and filtration systems and other wastewater treatment solutions then ensure that the water is properly cleaned and ready to be reused in our homes and industries, or pumped safely back into natural environments.

We don't just go with the flow — we create it

Thanks to our unique combination of engineering expertise and experience in the water sector, we can provide bespoke, fully integrated technologies that address the specific requirements of our customers in some of the most challenging circumstances.

In Saudi Arabia, our engineers delivered **289 high-efficiency desalination pumps** in a tight 12-month window, helping to bring fresh water to millions of people within a desert territory. And in Egypt, our solutions are helping an award-winning water treatment facility to **irrigate 70'000 acres of agricultural land**, while simultaneously restoring the once-thriving ecology of the heavily polluted El Tamseh lake.

And in Sweden, Sulzer Nordic Water helped the Simrishamn wastewater plant to achieve the **first full-scale expansion of its kind with the addition of advanced treatment steps** designed to remove pharmaceutical residuals and micropollutants. This was a critical first step towards enabling water reusability in a region that suffers from seasonal water shortages and water pollution, and the newly commissioned plant achieved significant reduction rates for all the targeted substances — including a 99.8% reduction in microplastics using our Dynasand filters.

Groundbreaking power-generation strategies

The ebswien water treatment facility is one of the largest in Europe, serving the city of Vienna in Austria and processing up to 1'000 cubic meters of wastewater per minute. The facility uses groundbreaking technology to produce biogas from sludge during the water treatment process, which is then converted to electricity and used to help power the plant and reduce its footprint.



When ebswien wanted to expand its capabilities and circular energy production, the facility called upon Sulzer. At the center of the upgraded plant are six 30-meter-high digesters, each capable of generating biogas from 12'500 cubic meters of sludge. Sulzer delivered the mixer units for the digester tanks to keep the biogas production running optimally. In contrast to conventional equipment, Sulzer's solution required smaller motors, thus unlocking energy savings. In addition, Sulzer's highly efficient turbocompressors delivered further savings, cutting total power consumption by 400 kW, while reducing noise and offering very low maintenance costs.

Sulzer specialists were also able to install a number of digital solutions and provide key products that helped ebswien reduce its energy consumption and improve operations across the facility. The plant has now been transformed from a major energy consumer, accounting for more than 1% of the city of

Vienna's annual energy consumption, to an entirely self-sufficient net energy producer — thereby reducing Vienna's annual carbon emissions by 40'000 tonnes.

Capacity boost that supports carbon neutrality

An increasing number of businesses are committing to net-zero policies. One of these is the Netherland's Rivierenland Water Authority, which also produces biogas from sludge during water treatment to help minimize its footprint. When the utility wanted to improve the performance and sustainability of its Sleeuwijk wastewater operations, Sulzer offered the ideal technologies and services to create Energiefabriek West ("Energy Factory West").

In particular, we were able to develop a customized sludge-mixing approach that supports the implementation of an innovative technology to increase capacity and maximize biogas production. The enhanced capacity enables the plant to process additional sludge that is transported in from a number of smaller wastewater treatment plants in the region, thereby increasing biogas production by 20 to 30%.

With Sulzer's help, Energiefabriek West has been able to continue serving the 90'000 people in the Rivierenland region with new levels of efficiency and circularity. The authority is now well on track to achieve its goal of carbon neutrality by 2030.

More information about our products and services at www.sulzer.com. 



Extending the life of renewable energy assets

Water represents one of the largest sources of renewable energy on our planet. For over 2'000 years, water has been harnessed to power machines, and more recently to generate electricity. Today, using the latest engineering techniques, we are able to achieve new levels of efficiency and reliability for hydropower stations, ensuring the future of this sustainable form of energy production. Sulzer helps hydropower stations to maximize output and extend their operational life by decades, thereby accelerating the world's transition to renewable energy.

From waterwheels and windmills to wind turbines and solar power, renewable energy sources have been utilized for centuries. In 1878, William Armstrong used water in lakes on his estate in Northumberland, UK, to power a turbine and create electricity to light his house — the first home in the world to use hydroelectricity. Soon after, in 1882, the world's first hydroelectric power plant began operating in Appleton, Wisconsin, USA.¹⁾

The hydropower landscape

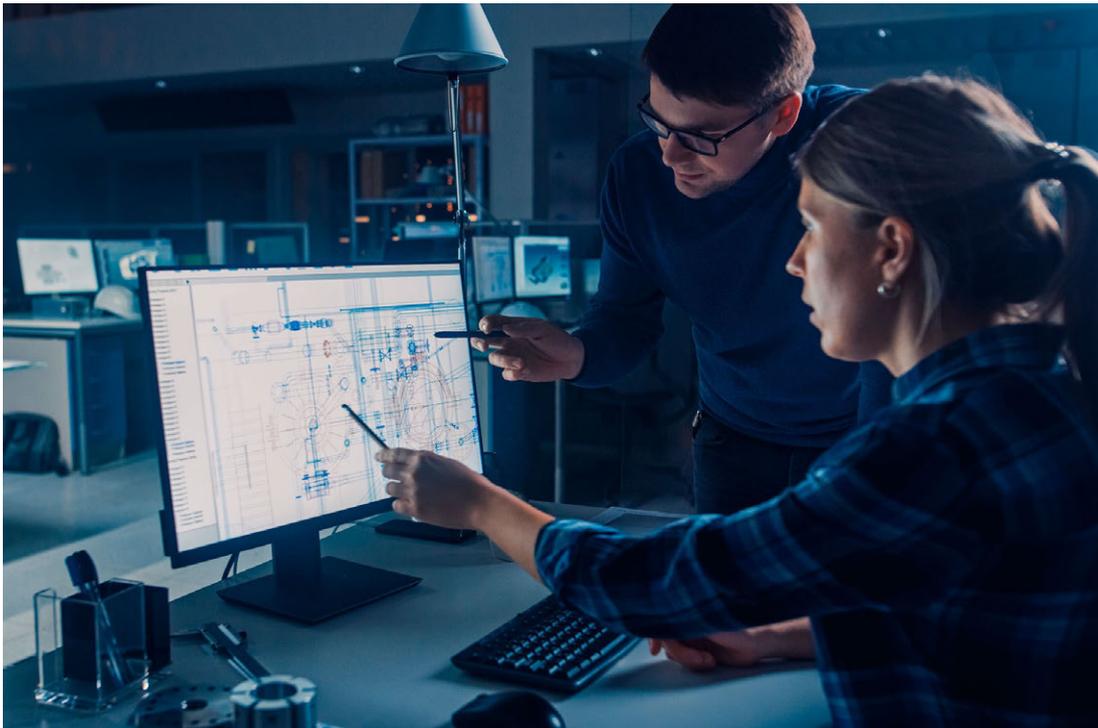
Today, over 70% of the world's renewable electricity is generated using hydropower,²⁾ and all of these sites need to be carefully maintained to ensure optimum performance.

Sulzer has been a leader in the maintenance and repair of generators and pumps in hydroelectric power stations for decades. Our expertise, products and modern manufacturing and maintenance facilities enable us to deliver on the very high standards required by the hydroelectric industry. The testing criteria for key components are more stringent than in any other sector, primarily because of the remote locations of these sites and the need for superior durability and reliability.

Maximizing the efficiency of ageing equipment

A rewind gives our customers in hydropower and other power-generation industries the opportunity to renew their ageing equipment to maximize efficiency and sustainability. Rewinds and retrofits can significantly lower energy consumption, operating costs and waste, while improving the performance of the whole system — thanks to the world-class efficiency of Sulzer's products.

In many cases, when a generator needs to be rewound, the work has to be completed on-site because the size of the equipment makes it very difficult to remove and transport to a service center. It is therefore essential to have experienced and skilled field service teams that can be mobilized to complete a repair quickly and minimize downtime.



These skills were highlighted in a recent project that Sulzer completed for Statkraft, which operates several hydroelectric sites in the UK. In operation since 1965, the Dinas hydropower station utilizes a single 13.5 MW (18'100 hp) generator to produce 24 GWh of electricity each year, enough to power approximately 3'500 homes. Following a winding failure, Statkraft awarded an overhaul project to Sulzer for the complete repair and refurbishment of the generator.

Expert support from local teams

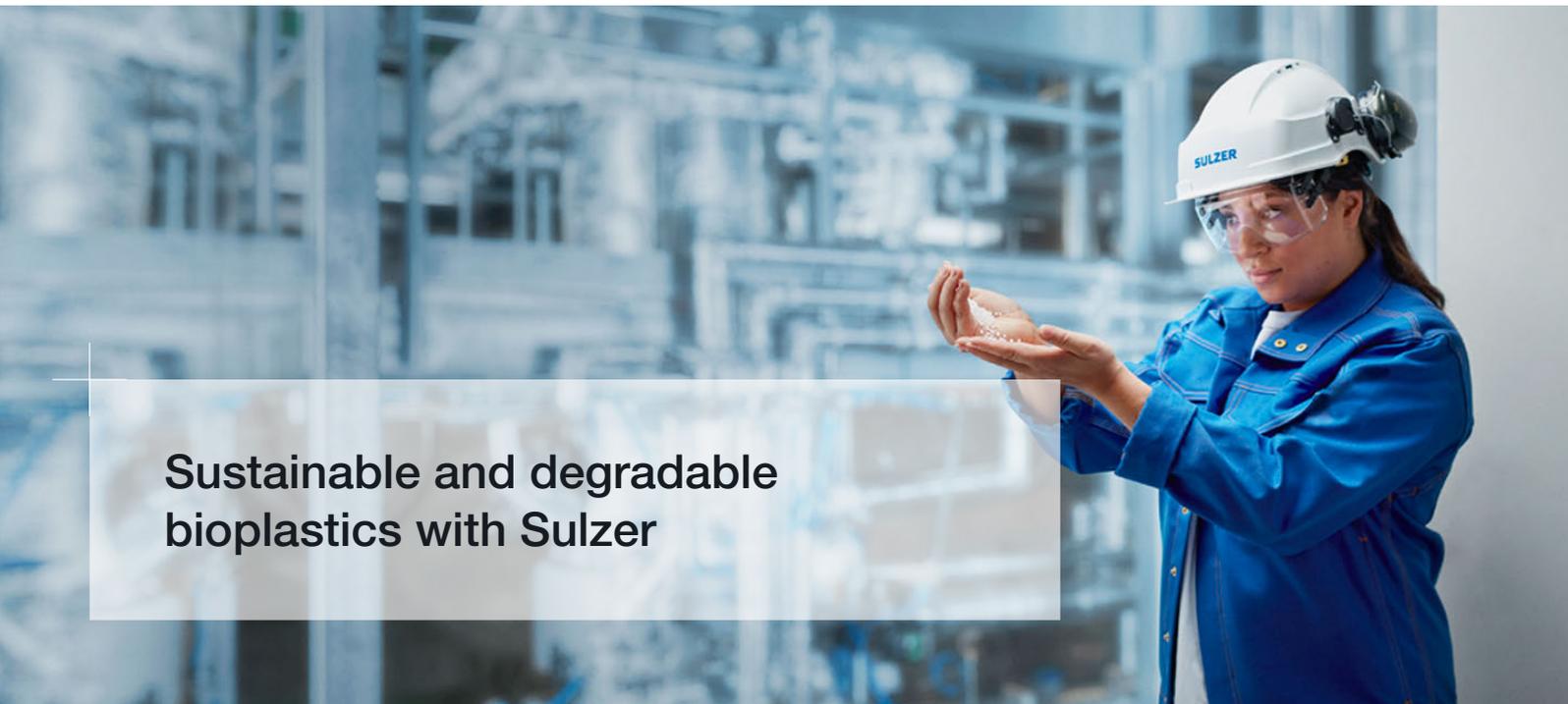
The team at Sulzer's Birmingham service center designed, manufactured and tested 220 new high-voltage coils destined for the generator. Four coils were tested to destruction to establish and prove the quality of the new coils, according to the demanding specifications for hydroelectric applications. We also assigned two teams of winders to the project to work around the clock and ensure the generator repair was completed as quickly as possible. The teams were drawn from Sulzer's network of service centers across the UK, including Falkirk, Ipswich and Middlesbrough.

Moreover, our investment in the latest technologies saved six days on the rebuild time because three brazing stations could operate simultaneously, allowing the process to be completed quicker than with traditional methods. As a result, Statkraft was able to restart its generator with minimum downtime, knowing that it will provide years of reliable and optimized service to ensure uninterrupted renewable electricity for the people of Wales.

As the world increasingly moves towards sustainable practices, Sulzer's Services division will continue to meet the growing demand for repairs, retrofits and rewinds to help our customers accelerate the global energy transition and maximize the efficiency and sustainability of their operations.

- 1) [National geographic: Hydropower, explained](#)
- 2) [National geographic: hydroelectric energy](#)

[More information about our products and services at www.sulzer.com.](http://www.sulzer.com) 



Sustainable and degradable bioplastics with Sulzer

While we have come to realize the environmental limitations of plastics, there is still a great future in such materials — especially if solutions based on the principles of renewability and circularity are adopted. One of the most remarkable examples is polylactic acid (PLA), a highly sustainable bioplastic that is now produced worldwide. PLA production is mostly based on Sulzer Chemtech’s advanced technology, which is included in almost all PLA production plants currently in operation across the globe.

In just over 60 years, plastics have witnessed an extraordinary evolution as materials, fitting practically any application. From consumer goods to packaging, all the way to art and medicine, plastics are ubiquitous. Thanks to their adaptable properties and limited cost, no other alternative can effectively compete.

However, these tremendous advantages typically come with an environmental price tag that is impossible to overlook. Traditionally made from fossil fuel-based petrochemicals, they rely on non-renewable resources. In addition, they are generally not easily recyclable, and it can take anywhere from 20 to 500 years for them to decompose. In this time, the waste accumulates and can leach unwanted chemicals, with disastrous environmental consequences. At least 14 million tonnes of plastic end up in the oceans every year, and plastic makes up 80% of all marine debris found from surface waters to deep-sea sediments.

Sustainable solutions for the future of plastics

Thanks to recent pioneering developments, there are new solutions that can turn the tide. Innovative chemical recycling strategies, for example based on Sulzer’s devolatilization technology, are providing new recycling opportunities for traditional plastics. Sulzer recently announced its collaboration with Tide Ocean SA and the Eastern Switzerland University of Applied Sciences on a groundbreaking [solution to recycle ocean-bound plastic waste](#). Sulzer Chemtech developed a method to turn recycled

polyethylene terephthalate (PET) recovered from the ocean into high-quality foams that match the properties of virgin plastics. This is a key step towards forming premium raw materials that can be made into innovative circular products.

Moreover, new alternatives are offering more sustainable, yet highly performing, polymeric material without any compromise. The most widely adopted of such alternatives is PLA, a plastic obtained from sugars contained in crops and plants. It is renewable, biodegradable, compostable and recyclable — achieving circularity.

Increasingly used worldwide, PLA relies greatly on Sulzer Chemtech's leading purification processes. Sulzer proprietary technology is included in almost all PLA production plants currently in operation, from small- to large-scale facilities, including the largest globally.

One ring (-opening polymerization) to rule them all

What makes PLA unique is that the bioplastic is made using a non-traditional chemical reaction known as ring-opening polymerization. This process allows us to deliver more robust materials, whose properties can be easily adjusted to suit different applications and uses. For example, it is possible to adapt the compostability of PLA, making it exceptionally resistant if used in durable products with long-term performance or easily degradable for disposable applications.



This allows us to revolutionize the plastic life cycle, solving the problem that has marred the plastics industry for decades. We give our customers full control over the technical properties of their bioplastics, so that they can be used long-term, easily recycled, or degradable in natural environments depending on their intended use. Businesses choosing our state-of-the-art technology can therefore produce a wide range of competitive and fully circular products that serve different industries and enhance their role in the marketplace.

Driving sustainability practices worldwide

When Corbion, a market leader in biotechnology, wanted to establish a new production facility for PLA, Sulzer Chemtech offered the right services and technologies in record time. In just over a year, we provided a complete, fully customized technology and project-management solution that enables the bioplastic manufacturer to deliver approximately 75'000 tons of sustainable bioplastics every year.

Thanks to our expertise and capabilities, the flexible production line can supply different types of PLA to support various applications, including packaging, consumer goods, 3D printing, fibers and automotive products. At the end of their service life, these products can be mechanically or chemically recycled, or even industrially composted to fertilize soil, making them truly sustainable, circular products.

Supporting continuous growth

NatureWorks, the world's leading manufacturer of low-carbon PLA biomaterials, wanted to support the increasing global demand for bioplastics with a new production facility for PLA and its intermediates. Located in Nakhon Sawan Biocomplex, Thailand, this plant will have a capacity of approximately 75'000 tons of biopolymer annually.

To provide the key equipment for this facility, particularly for lactide and PLA production, NatureWorks selected its long-term partner, Sulzer Chemtech. A key reason was that our technology can purify lactide and its intermediates to reach extremely high levels, while the polymerization can support versatility in the types of plastics created. These elements will help NatureWorks maintain a competitive edge with a range of high-quality, sustainable products.

[More information about our products and services at www.sulzer.com.](https://www.sulzer.com) 



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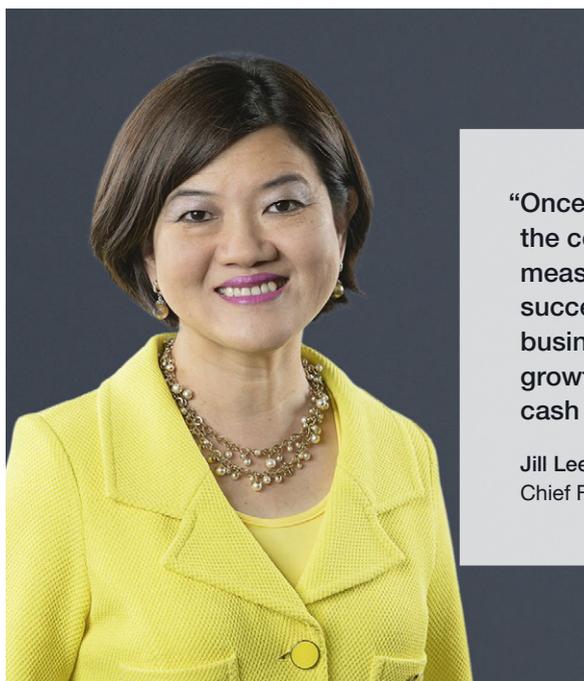
Strong sales and record profitability

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures and relate to continuing operations only. For balance sheet items and cash flow KPIs, the influence of discontinued operations is specifically outlined.

Order intake increased by 3.6% including acquisitions and 0.9% organically. Sales increased by 6.0% and by 3.5% excluding acquisitions, despite headwinds from supply chain disruptions. Operational profitability in all divisions reached new heights, leading to a record 9.3% operational profitability for Sulzer. Solid free cash flow amounted to CHF 238.7 million, including CHF 28.2 million from discontinued operations.

Strong order intake with positive mix

Order intake increased by 3.6% compared with 2020 to CHF 3'167.6 million, fueled by organic growth of 0.9% and CHF 82.9 million from acquisitions. Currency translation effects had a positive impact on order intake of CHF 8.8 million. Order intake gross margin increased nominally by 0.5 percentage points to 33.1%, influenced by a better mix.



“Once again, Sulzer successfully delivered strong results despite the continuing challenging environment in 2021. Our proactive measures to mitigate the anticipated drop in Energy proved to be successful, and we were agile in pushing growth in the other businesses. Our focused execution enabled us to achieve strong growth, record-high profitability and another year of robust free cash flow.”

Jill Lee
Chief Financial Officer



Order intake growth in Water and Industry within Flow Equipment more than offset the expected drop in Energy, leading to an increase of 1.8% (–3.9% organically) in the division. Water orders increased significantly by 29.9%, equally driven by 11.4% organic growth and CHF 73.6 million from the Nordic Water acquisition. Orders in Industry were up 6.9%, while the Energy market segment declined by 22.6% due to softer market conditions and continued order selectivity. Order intake in the Services division grew by 2.8%, supported by organic growth of 2.0% and CHF 9.3 million from acquisitions. All regions grew except Asia-Pacific (APAC), where pandemic-related restrictions remained most pronounced. Chemtech’s order intake increased by 8.8%, on strong increases in the US and China and the growing commercial success in the Renewables market segment, which now accounts for 13.6% of the division’s order intake.

As of December 31, 2021, the order backlog amounted to CHF 1'724.1 million (December 31, 2020: CHF 1'676.8million). Currency translation effects added CHF 27.5 million.

Orders

millions of CHF	2021	2020 ¹⁾
Order intake from continuing operations	3'167.6	3'049.2
Order intake gross margin from continuing operations	33.1%	32.6%
Order backlog from continuing operations as of December 31	1'724.1	1'676.8

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

Robust sales growth in all divisions

Sales increased by 6.0% compared to 2020, reaching CHF 3'155.3 million. Organic growth amounted to 3.5%, with acquisitions adding CHF 71.7 million and positive currency translation effects amounting to CHF 11.0 million.

The Flow Equipment division increased its sales by 6.9% (2.0% organically). Sales in Water increased strongly by 22.7%, including the contribution from the Nordic Water acquisition of CHF 63.6 million and solid organic growth of 7.0%. The Industry market segment also grew strongly, reaching 6.5% organic growth. The positive momentum in Water and Industry more than offset the sales decline in Energy (4.9%). Sales in Services grew in all regions except APAC, where pandemic containment measures muted the market. Despite this, Services achieved year-on-year sales growth of 3.5% (2.7% organically). In Chemtech, sales were significantly up by 8.4% on strong execution in China and a reduced impact from lockdowns compared to last year.

Higher gross profit margin

Gross profit margin increased to 30.0% (2020: 29.4%), thanks to operating leverage from higher sales volume, a larger share of high-margin business and the positive impact from implemented cost actions. Gross profit grew nominally CHF 74.5 million to CHF 946.9 million (2020: CHF 872.4 million).

Record operational profitability of 9.3%

Operational profit amounted to CHF 293.3 million compared with CHF 255.0 million in 2020, an increase of 14.1%. The higher gross profit from increased sales and a better mix was further supported by CHF 40 million savings from swift structural measures taken in the Energy-related businesses coupled with continued spending discipline.

Operational profitability from continuing operations reached a record high of 9.3% (2020: 8.6%), with all three divisions hitting new heights:

- Flow Equipment reached 5.9% (2020: 4.3%), on a positive mix effect driven by strong sales in Water and Industry relative to lower Energy sales, and well supported by swift adaptation measures in Energy
- Services hit 14.2% (2020: 13.9%), on strict margin management in an active market where Sulzer was able to differentiate itself
- Chemtech reached 10.0% (2020: 9.6%), thanks to operational leverage on higher volumes

Bridge from EBIT to operational profit

millions of CHF	2021	2020 ²⁾
EBIT from continuing operations	221.8	132.5
Amortization	50.2	46.7
Impairments on tangible and intangible assets	4.2	9.4
Restructuring expenses	9.5	52.6
Non-operational items ¹⁾	7.7	13.8
Operational profit from continuing operations	293.3	255.0

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

2) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

Calculation of return on sales (ROS) and operational profitability

millions of CHF	2021	2020 ¹⁾
EBIT	221.8	132.5
Sales	3'155.3	2'967.8
ROS from continuing operations	7.0%	4.5%
Operational profit	293.3	255.0
Sales	3'155.3	2'967.8
Operational profitability from continuing operations	9.3%	8.6%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

Return on sales of 7.0%

Sulzer incurred one-off expenses of CHF 21.4 million (2020: CHF 75.8 million). These were mainly related to the structural actions launched in early 2020 to resize Sulzer's Energy-related footprint. EBIT amounted to CHF 221.8 million, increasing nominally by 67.4%, compared with CHF 132.5 million in 2020. Return on sales (ROS) was 7.0%, compared with 4.5% in 2020.

Financial income and expenses

Interest expenses on borrowings and lease liabilities increased to CHF 22.5 million (2020: CHF 20.6 million). As a result, total financial expenses increased to CHF 21.7 million (2020: CHF 20.5 million).

Lower effective tax rate

Income tax expenses increased to CHF 57.2 million (2020: CHF 39.8 million) due to higher pre-tax income. The effective tax rate decreased to 28.9% in 2021, from 35.8% in 2020, due to lower restructuring expenses with no corresponding tax effects and a slightly different geographical spread of profit before tax.

Higher core net income

In 2021, net income from continuing operations amounted to CHF 140.7 million compared with CHF 71.5 million in the previous year. Core net income from continuing operations excluding the tax-adjusted effects of non-operational items totaled CHF 195.3 million compared with CHF 165.6 million

in 2020. Basic earnings per share from continuing operations increased from CHF 2.00 in 2020 to CHF 4.10 in 2021.

Bridge from net income from continuing operations to core net income from continuing operations

millions of CHF	2021	2020 ²⁾
Net income from continuing operations	140.7	71.5
Amortization	50.2	46.7
Impairments on tangible and intangible assets	4.2	9.4
Restructuring expenses	9.5	52.6
Non-operational items ¹⁾	7.7	13.8
Tax impact on above items	-17.0	-28.4
Core net income from continuing operations	195.3	165.6

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

2) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

medmix spin-off

On September 20, 2021, the shareholders of Sulzer Ltd at their Extraordinary General Meeting approved the proposed 100% spin-off of the Applicator Systems division (later renamed medmix) through a 1:1 share split, granting Sulzer shareholders one medmix share in addition to each Sulzer share held. medmix' shares started trading in an oversubscribed offering on September 30, 2021, on the SIX Swiss Exchange.

Sulzer has separated in its annual report the group's reported data for the current and prior years into "continuing" and "discontinued" operations. Discontinued operations include the operational results from the Applicator Systems division and certain corporate activities attributable to the Applicator Systems division prior to the spin-off on September 20, 2021.

The shareholder approval to spin off the Applicator Systems division required the recognition of a distribution liability, measured at the fair value of the Applicator Systems division, and represented a deduction of retained earnings.

Net income from discontinued operations amounted to CHF 1'278.3 million, comprising a net income from discontinued business activities of CHF 23.2 million for the year up to the spin-off date and a gain on net assets derecognized of CHF 1'255.1million. The gain on net assets derecognized is mainly the difference between the distribution liability of the Applicator Systems division of CHF 1'485.6 million and the division's net assets of CHF 244.2 million on the spin-off date. In the balance sheet, the equity is increased by the net income from discontinued operations of CHF 1'278.3 million and offset by the derecognition of the spin-off related distribution liability of CHF 1'485.6 million. The details pertaining to the income statement, segment information and balance sheet of the discontinued operations are presented in [note 7](#) to the consolidated financial statements.

Bridge from net income from continuing operations to net income

millions of CHF	2021	2020
Net income from continuing operations	140.7	71.5
Net income from discontinued operations before gain on net assets derecognized	23.2	15.6
Gain on net assets derecognized ¹⁾	1'255.1	–
Net income	1'418.9	87.2

1) Details are described in note 7 to the consolidated financial statements.

Key balance sheet positions after medmix spin-off

Note: Contrary to the prior paragraphs relating to orders and the income statement, both balance sheet and cash flow movements are influenced by discontinued operations. The respective amounts are specifically mentioned when significant, and further details are described in [note 7](#) to the consolidated financial statements.

Total assets as of December 31, 2021, amounted to CHF 5'010.4 million, a decrease of CHF 356.5 million from December 31, 2020. Non-current assets decreased by CHF 445.7 million to CHF 1'834.2 million, whereof the medmix spin-off accounts for CHF 632.7 million. The most notable reductions attributable to the discontinued medmix operations are CHF 265.4 million in goodwill, CHF 143.9 million in other intangible assets, CHF 165.0 million in property, plant and equipment and CHF 51.6 million in lease assets. For continuing operations, the acquisitions undertaken in 2021 led to an increase in goodwill of CHF 56.6 million as well as CHF 79.7 million in other intangible assets. Other increases in continuing operations included property, plant and equipment (CHF 13.7 million) and lease assets (CHF 19.5 million).

Inventories decreased by CHF 39.5 million (of which CHF 71.8 million was medmix related), contract assets increased by CHF 84.5 million and trade accounts receivables decreased by CHF 49.9 million (CHF 40.7 million due to the medmix spin-off), whereas other current receivables and prepaid expenses decreased by CHF 7.8 million.

Cash and cash equivalents increased overall by CHF 382.2 million. Besides regular cash flow generation and acquisition-related cash-out, this was affected by the repayments of borrowings in the amount of CHF 430.2 million by medmix, CHF 85.9 million of cash and cash equivalents that were transferred to medmix, a decrease in current financial assets of CHF 278.4 million and a reduction in borrowings of CHF 213.0 million.

Total liabilities decreased by CHF 218.7 million to CHF 3'731.1 million as of December 31, 2021. Current and non-current borrowings combined reduced by CHF 213.0 million, mostly due to the repayment of a bond. Other drivers were the reduction of lease liabilities by CHF 30.9 million (of which CHF 51.1 million medmix related), an increase in undistributed dividends (CHF 43.5 million), an increase in accrued liabilities (CHF 64.8 million) and contract liabilities (CHF 24.0 million), a decrease in trade accounts payable (CHF 34.0 million, mainly medmix related) and a decrease in defined benefit obligations (CHF 47.3 million). An aggregate CHF 81.0 million reduction in current liabilities can be attributed to the medmix spin-off.

Equity decreased by CHF 137.8 million to CHF 1'279.3 million. This was mainly driven by a dividend distribution (CHF 137.4 million, of which CHF 2.1 million was for non-controlling interests), and the acquisition of non-controlling interests (CHF 17.3 million). Other equity changes comprised net income including discontinued operations of CHF 1'418.9 million, offset by the derecognition of a

spin-off related distribution liability of CHF 1'485.6 million and the remeasurement of defined benefit plans (CHF 88.7 million).

Net debt decreased from CHF 414.5 million in 2020 to CHF 66.8 million in 2021, mainly due to higher cash and cash equivalents. Net debt to EBITDA decreased from 1.26 in 2020 to 0.15 in 2021, due to the increase in EBITDA and decrease in net debt.

Continued solid free cash flow

Cash flow from operating activities amounted to CHF 315.9 million, compared with CHF 368.7 million in 2020. The contribution of discontinued operations was CHF 49.0 million (2020: CHF 50.6 million). Cash flow from operating activities was improved by higher net income of CHF 76.7 million (before gain on net assets derecognized) and favorable changes in current trade assets (CHF 18.8m net positive impact from change in accounts receivables, accounts payables, advances to suppliers and other net current assets). Due to sales growth, cash flow was impacted by higher inventories (CHF 20.8 million increase in 2021, compared with CHF 29.7 million of volume-related decrease in 2020), higher changes in net contract assets (CHF 29.0 million) as well as increased tax payments (CHF 14.9 million). The impact from the changes in provisions also reduced cash flow by CHF 50.3 million (mainly due to the build-up of restructuring provisions in 2020 for the energy-related resizing activities). Free cash flow amounted to CHF 238.7 million (thereof CHF 28.2 million from discontinued operations) compared with CHF 272.1 million in the prior year. The bridge from cash flow from operating activities to free cash flow is shown in the table below.

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2021	2020
Cash flow from operating activities	315.9	368.7
- thereof discontinued operations	49.0	50.6
Purchase of intangible assets	-6.9	-7.5
Sale of intangible assets	0.2	0.1
Purchase of property, plant and equipment	-79.2	-98.0
Sale of property, plant and equipment	8.7	8.9
Free cash flow (FCF)	238.7	272.1
- thereof discontinued operations	28.2	9.5

The reported cash flow from investing activities (CHF +432.3 million, compared with CHF -461.8 million in the prior year) and cash flow from financing activities (CHF -382.5 million, compared with CHF +236.5 million in 2020) were significantly impacted by the intercompany debt split as part of the medmix spin-off and should therefore be seen in this context. Overall, this included repayments of borrowings in the amount of CHF 430.2 million by medmix, CHF 85.9 million of cash and cash equivalents that were transferred to medmix, a decrease in current financial assets by CHF 278.4 million and the repayment of a bond of CHF 210.0 million.

As for items unrelated to the medmix intercompany debt split, cash-out for acquisitions amounted to CHF 123.9 million, compared with CHF 108.2 million in 2020. Net capital expenditure for property, plant and equipment (including disposal of assets) amounted to CHF 70.5 million, below the CHF 89.1 million in 2020.

Dividend payments amounted to CHF 91.9 million, compared with CHF 92.6 million in 2020. Payments of lease liabilities amounted to CHF 41.1 million (2020: CHF 39.2 million). Exchange gains on cash amounted to CHF 16.5 million, compared with a loss of CHF 55.7 million in 2020. Overall, CHF 9.7 million (2020: CHF 4.4 million) of cash flow from investing activities and CHF 9.7 million (2020: CHF –42.9 million) cash flow from financing activities can be attributed to discontinued operations.

Outlook for 2022

We expect continued growth in our markets, despite uncertainties linked to the pandemic, bottlenecks in supply and logistics, increased input costs, monetary tightening and a volatile macro environment. Against this background, Sulzer has started the year with a high order backlog and strong commercial momentum, fueled by our focus on growing Water and Industry in Flow Equipment, expanding our Services business and boosting Chemtech's leadership in Renewables.

For 2022, Sulzer expects orders to grow organically by 3 to 5%. Excluding Energy, we expect sales to grow organically by 4 to 6%. Year on year, sales are expected to grow organically by 2 to 4% (as Energy, which saw an order decline of 23% in 2021, will impact sales by a negative 2 percentage points). Operational profitability is expected to continue on its upwards trajectory to reach close to 10% of sales.

Abbreviations

EBIT: Earnings before interest and taxes

ROS: Return on sales

EBITDA: Earnings before interest, taxes, depreciation and amortization

FCF: Free cash flow

For the definition of the alternative performance measures, please refer to "[Supplementary information](#)"

Business review 2021

Rising orders and sales, record operational profitability

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

In 2021, the Flow Equipment division returned a robust set of results, with orders up 1.8%, significant sales growth of 6.9% and a rise in operational profitability to a record 5.9%. The division also changed its name to Flow Equipment in 2021, representing our evolution far beyond the division's renowned pumps offering as well as our comprehensive portfolio of water treatment solutions.

Changing division name to reflect portfolio evolution

As part of Sulzer's brand refresh and refocus on its core businesses as a pure play flow-control company, the Pumps Equipment division changed its name to Flow Equipment. The name change encompasses the division's evolution far beyond its market-leading pumps offering — to blowers, grinders, filters, agitators, digital and more. Flow Equipment also encapsulates our comprehensive portfolio of water treatment solutions. You can learn more in this report about how our solutions are helping to manage the entire water life cycle, bringing water to growing populations while helping to protect this precious natural resource.

At the beginning of February 2021, Sulzer closed its acquisition of Nordic Water, a leading supplier of water treatment technologies. With its broad water treatment solutions complementing Flow Equipment's portfolio, Water is now the largest single business in the Flow Equipment division, representing 39% of its order intake in 2021. As part of our strategic shift towards sustainable technologies and our continued order selectivity, our Energy business represented 31% of total orders in 2021, down from 41% in 2020.

“With profitability at record levels in 2021 and Water representing the largest share of the division’s order intake, our transformation is yielding very positive results. I am proud of what Flow Equipment has achieved and become, and I look forward to using my experience leading Sulzer’s largest division as CEO of the Company.”

Frederic Lalanne
Division President Flow Equipment



Key figures Flow Equipment

millions of CHF	2021	2020	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	1'324.7	1'297.6	2.1	1.8	-3.9
Order intake gross margin	30.0%	28.4%			
Order backlog as of December 31	811.5	845.0	-4.0		
Sales	1'389.0	1'296.3	7.1	6.9	2.0
EBIT	35.1	-16.1	n/a		
Operational profit	81.4	55.2	47.5	46.6	35.5
Operational profitability	5.9%	4.3%			
Employees (number of full-time equivalents) as of December 31	5'325	5'362	-0.7		

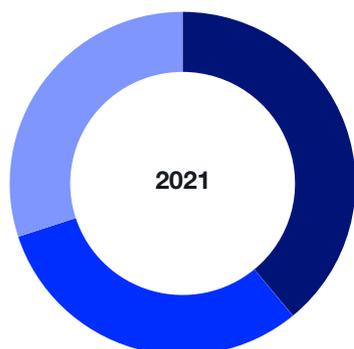
1) Adjusted for currency effects.

2) Adjusted for acquisition and currency effects.

Water and Industry driving strong order growth

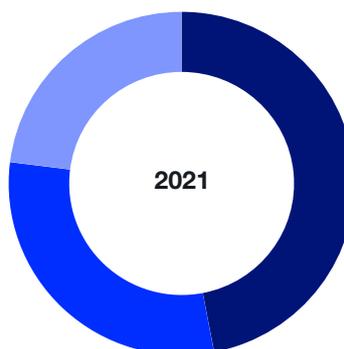
Flow Equipment’s orders increased by 1.8% including the Nordic Water acquisition (-3.9% organically). Our strategic shift towards sustainable solutions in the Flow Equipment division is yielding results, with Water and Industry growing by a significant 11.4% (organically) and 6.9% respectively. Pulp and Paper and Mining were the key contributors to the growth in Industry, while Wastewater drove the rise in our Water market segment. These strong increases were able to offset a decline in Energy orders (-22.6%), which fell due to the anticipated soft markets in 2021 and our continued order selectivity to protect our margins.

Order intake by market segment



- 39% Water
- 31% Energy
- 30% Industry

Order intake by region



- 47% Europe, the Middle East and Africa
- 30% Americas
- 23% Asia-Pacific

Significant sales increase and record profitability

In 2021, sales saw a significant increase of 6.9%, also thanks to Water and Industry’s strong performance which was able to more than offset the decline in Energy. Operational profitability reached record levels in 2021 with an increase to 5.9%, mainly driven by our focus on operational excellence in all business units and savings resulting from structural actions to resize our Energy business. We were also able to mitigate the adverse impact of supply chain pressures thanks to our agility in our procurement and manufacturing processes.

Safety performance in 2021

In 2021, Flow Equipment reported a slightly improved accident frequency rate (AFR) of 1.8 cases per million working hours compared to the previous year (2020: 2.0). The accident severity rate (ASR) decreased to 35 lost days per million working hours, from a high level of 51.1 in the previous year.

Thorough contingency planning and the application of continuously updated COVID-19 safe working processes during the pandemic were key in allowing us to keep serving our customers' needs. Through these efforts, all Flow Equipment facilities were able to maintain workshop operations throughout 2021.

Flow Equipment's Take Care safety campaign was released in Q4 of 2021 and early signs of improvements are encouraging. This campaign will continue into 2022.

Abbreviations

EBIT: Earnings before interest and taxes
 For the definition of the alternative performance measures, please refer to “[Supplementary information](#)”

Business Review 2021

Order and sales growth, profitability at new heights

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Order intake in the Services division grew by 2.8% in 2021 despite ongoing customer site access restrictions. Sales increased 3.5% while operational profitability rose to a record 14.2%. With the acquisition of Turbo Services Ltd., we further expanded our aero-derivatives portfolio to cover Pratt & Whitney engines. In 2021, the division changed its name to Services to reflect its expanded range of competencies. As part of Sulzer's strategic succession plan announced in 2021, Tim Schulten has succeeded Daniel Bischofberger as Division President.

A new name and leader for the Services division

In 2021, Sulzer initiated a brand refresh with new division names to better represent the expanding range of competencies and services we offer. Rotating Equipment Services therefore became **Services**, reflecting the growth of the division from providing parts and repair work for rotating equipment into a full-spectrum service provider. Using additive manufacturing and artificial intelligence, our customers look to us to maximize the lifetime value of a wide range of equipment — rotating and non-rotating.

As previously announced, Daniel Bischofberger, who joined Sulzer as Division President Services in 2016, is leaving the company to take on a role of CEO outside of Sulzer. Daniel's tenure over the last six years has been a great success for the division — he reorganized the business in regions, built a strong leadership team, was instrumental in the digitalization of our businesses, and expanded the division's reach with targeted acquisitions to adjacencies like aero-derivatives. We are excited for Daniel as he moves onto this next stage of his career and thank him for his outstanding contribution to Sulzer over the last six years.



“Leading Sulzer’s Services division has been a privilege and a highly enjoyable and successful period of my career. Together we have transformed the division, greatly expanding its offering and delivering a resilient performance over the years – now with record profitability. Tim Schulten is an excellent leader and a great fit to shape the next chapter for the Services division.”

Daniel Bischofberger
Division President Services

The Board selected Tim Schulten, formerly Sulzer’s Group Head of Strategy, Marketing and Digital to take over from Daniel as of January 1, 2022. Tim joined Sulzer in early 2021. At Caterpillar, where he spent most of his career, Tim acquired extensive experience running service and parts businesses. He was most recently the General Manager for Marketing and Product Support for the Electric Power business, responsible for marketing, channel development, pricing, business support, parts logistics and engineering. He was previously General Manager for Sales and Distribution of engine-maker MWM GmbH, in Mannheim. Tim holds an MSc in Mechanical Engineering from the Swiss Federal Institute of Technology (ETH), and an MBA from Harvard.

“I am proud and excited to be taking over the leadership of Sulzer’s Services division. I look forward to building on the division’s strong foundations and excellent performance and making it even stronger.”

Tim Schulten
Division President Services (as of January 1, 2022)



Key figures Services

millions of CHF	2021	2020	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	1'163.4	1'130.8	2.9	2.8	2.0
Order intake gross margin	38.0%	38.4%			
Order backlog as of December 31	479.5	435.0	10.2		
Sales	1'117.7	1'078.3	3.7	3.5	2.7
EBIT	148.2	126.3	17.3		
Operational profit	158.7	150.3	5.6	5.1	3.8
Operational profitability	14.2%	13.9%			
Employees (number of full-time equivalents) as of December 31	4'571	4'449	2.7		

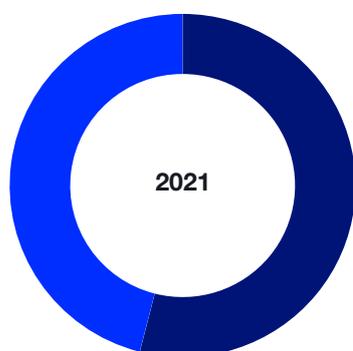
1) Adjusted for currency effects.

2) Adjusted for acquisition and currency effects.

Increasing orders

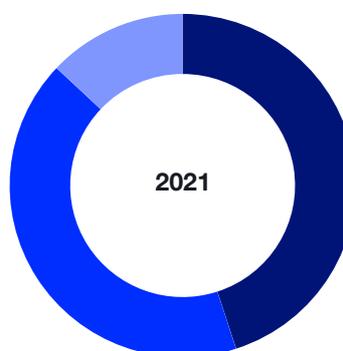
Orders in our Services division increased 2.8% (2.0% organically), with both Pumps Services and Other Equipment contributing equally. Regionally, Europe, the Middle East and Africa grew 5.2%, while the Americas increased by 5.0%. Asia-Pacific decreased 10.2% due to regional lockdowns causing access restrictions at customer sites, mainly in Southeast Asia.

Order intake by market segment



- 54% Pumps Services
- 46% Other Equipment

Order intake by region



- 45% Europe, the Middle East and Africa
- 42% Americas
- 13% Asia-Pacific

Rising sales and record profitability

In 2021, sales increased by 3.5% thanks to strong activity in the Americas (+8.2%) and Europe, the Middle East and Africa (+1.7%) regions, which was more than able to offset the decrease in Asia-Pacific (-4.3%) due to the continued impact of the pandemic. Operational profitability also rose to a record level of 14.2%, thanks to strong execution and strict margin and cost management.

Safety performance in 2021

In 2021, Services reported a substantially reduced accident frequency rate (AFR) of 1.0 case per million working hours, after an increase in 2020 up to 1.6. The accident severity rate (ASR) in 2021 increased to 34 lost days per million working hours, up from 24.2 in 2020. This increase was primarily due to three road-traffic accidents (where our drivers were not at fault) that caused more than 100 days of lost time in 2021.

Abbreviations

EBIT: Earnings before interest and taxes

For the definition of the alternative performance measures, please refer to [“Supplementary information”](#).

Business review 2021

Profitability at record 10%, Renewables orders almost doubled

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

In 2021, orders in the Chemtech division increased by a significant 8.8%, driven by strong activity in Chemicals and our Renewables business, which almost doubled. Sales saw a similar rise of 8.4%, with almost all of Chemtech's businesses contributing to the increase. Operational profitability reached 10%, a new record for the division. The Chemtech division continues to expand its offering in Renewables and a diverse range of circular solutions.

Fast-growing Renewables business

In 2021, Chemtech reached further milestones in its development of highly innovative and sustainable solutions that are helping companies and industries worldwide to reduce emissions and waste through the circular economy, carbon capture and storage, renewable fuels and materials and more. Successes in 2021 included developing a [new method to recycle ocean-bound plastic waste](#) for Tide Ocean S.A., and enabling Arbaflame to [produce 70'000 tonnes of biomass-based combustible pellets per year](#) — a carbon-neutral source of clean power that can be used to substitute coal in power plants. You can also discover in this report how [Chemtech's technology is central to most production facilities for degradable PLA bioplastics worldwide](#), with two more significant orders in 2021 for large-scale PLA plants that will produce over 100'000 tons per year.

The division is experiencing strong demand across its Renewables businesses, with orders, sales and profitability significantly up in 2021 compared to the previous year. The renewables market is growing fast and continuously gaining momentum as the world accelerates its shift towards sustainable and circular solutions, and Renewables now account for 13.6% of Chemtech's total business in 2021. We continue to drive innovation in bio-based polymers, sustainable fuels and chemicals as well as the recycling of polymers, and are perfectly positioned to capture significant growth opportunities in these important and attractive markets.

In 2021, we also saw continued growth in the chemicals market across the world, with particularly strong demand in China. This was partly driven by a shift from gas and refining to chemicals, where Chemtech is well positioned with its current offerings and status as global market leader.



“The Chemtech division achieved exceptional results in 2021 – significant rises in orders and sales as well as record profitability. Our transition to Renewables is well underway – we are the market leader for the production technology of PLA, and with our innovation pipeline we are perfectly placed to capture growth opportunities across the Renewables market.”

Torsten Wintergerste
Division President Chemtech



Key figures Chemtech

millions of CHF	2021	2020	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	679.5	620.8	9.5	8.8	8.8
Order intake gross margin	30.7%	30.6%			
Order backlog as of December 31	433.2	396.9	9.1		
Sales	648.5	593.1	9.4	8.4	8.4
EBIT	53.6	35.9	49.2		
Operational profit	64.8	56.9	13.8	11.5	11.5
Operational profitability	10.0%	9.6%			
Employees (number of full-time equivalents) as of December 31	3'734	3'221	15.9		

1) Adjusted for currency effects.

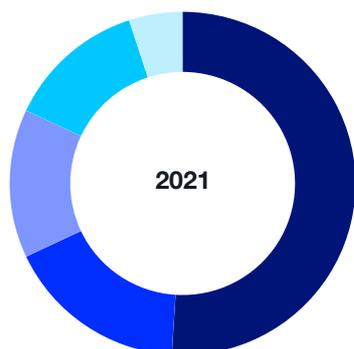
2) Adjusted for acquisition and currency effects.

Strong order growth

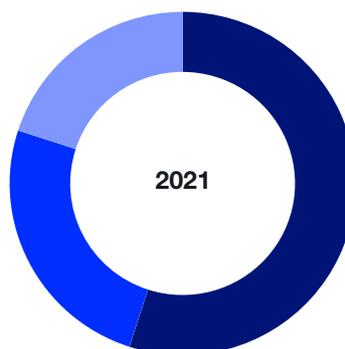
In 2021, Chemtech's orders increased significantly by 8.8% (both FX adjusted and organically). The increase was driven in large part by Renewables, which almost doubled, and continued growth in Chemicals. Regionally, the division saw particularly strong activity in China and the Americas, as our customers ramped up their operations over the course of 2021, recovering from the impacts of lockdowns.

Order intake by market segment

Order intake by region



- 51% Chemicals
- 17% Gas and Refining
- 14% Renewables
- 13% Services
- 5% Water



- 55% Asia-Pacific
- 25% Americas
- 20% Europe, the Middle East and Africa

Significantly rising sales and record profitability

Thanks to strong execution, we were able to achieve solid sales growth of 8.4%. We saw some project delays due to global supply chain disruptions, but these were more than offset by continued strong performance in China. Chemtech’s operational profitability reached a new high of 10%, driven by the notable increase in volumes as well as good cost management.

Safety performance in 2021

Chemtech’s accident frequency rate (AFR) remained stable at a very low 0.7 cases per million working hours, thanks to our maintaining the EYE 5 methodology to assess our process risks, executing Safety Through Observation Process (STOP) assessments, our Machine Safeguarding Awareness campaign and enhancing our Confined Spaces training. The accident severity rate (ASR) decreased to 17 lost days per million working hours, from 27.3 the year before.

In addition, significant work has been done to learn from the various health and safety audits performed in the division, leading to increased audit action closure rates. This allows us to tackle the root causes of any potential future incidents. A new initiative, Dispensation Tool, was launched in 2021 to support workers on Tower Field Services’ various sites in implementing the Sulzer health and safety rules and generate management engagement when site conditions deviate from the requirements.

Abbreviations

EBIT: Earnings before interest and taxes
 For the definition of the alternative performance measures, please refer to “Supplementary information”.



Corporate governance

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Corporate structure and shareholders

The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer is subject to Swiss corporate and stock exchange laws and applies the Swiss Code of Best Practice for Corporate Governance.

Sulzer Ltd is subject to the laws of Switzerland, in particular Swiss corporate and stock exchange laws. The company also applies the Swiss Code of Best Practice for Corporate Governance. The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer has had a single share class and has separated the functions of Chairman of the Board of Directors and CEO for many years. Since the Annual General Meeting of Shareholders (AGM) of April 8, 2009, only individuals who have never held executive positions at Sulzer have been members of the Board of Directors. Unless otherwise indicated, the following information refers to the situation on December 31, 2021. Further information on corporate governance is published at www.sulzer.com/governance. The information in the following section is set out in the order defined by the SIX Swiss Exchange Directive on Information relating to Corporate Governance (RLCG), with subsections summarized as far as possible. Sulzer's consolidated financial statements comply with International Financial Reporting Standards (IFRS), and in certain sections readers are referred to the financial reporting section in the Sulzer Annual Report 2021. Sulzer reports the compensation of the Board of Directors and the Executive Committee in the [compensation report](#).

Corporate structure

The Company's business is managed on a divisional basis and the organizational group structure corresponds to these reported segments, which consist of the Flow Equipment division (renamed in 2021 from Pumps Equipment), the Services division (renamed in 2021 from Rotating Equipment Services) and the Chemtech division. The operational corporate structure is shown under [note 3](#) to the "consolidated financial statements" in the financial reporting section. Sulzer Ltd is the only Sulzer company listed on a stock exchange. It is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891/ISIN CH0038388911). On September 20, 2021, the shareholders of Sulzer Ltd approved during an extraordinary meeting of shareholders the spin-off of the Applicator Systems division, which was the fourth division in the organizational group structure, and which was renamed medmix. The spin-off was effectuated by way of a symmetrical demerger pursuant to art. 29 lit. b in conjunction with art. 31 para. 2 lit. a of the Swiss Federal Merger Act dated October 3, 2003, without any changes to Sulzer Ltd's share capital. Each shareholder of Sulzer Ltd received one share in medmix Ltd for each share in Sulzer Ltd held at the time of the demerger. medmix shares are traded on SIX Swiss Exchange since September 30, 2021. On December 31, 2021, the market capitalization of all outstanding registered shares of Sulzer Ltd. was CHF 3'078'473'945. Information on the subsidiaries included in the consolidation can be found under [note 36](#) to the "consolidated financial statements". The list comprises all consolidated direct subsidiaries of Sulzer Ltd as well as all further consolidated subsidiaries.

Significant shareholders

According to notifications of Sulzer shareholders, two shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2021. As published on the SIX disclosure platform on May 29, 2018, Viktor Vekselberg held 48.82% of Sulzer's shares. The shares are directly held by Tiwel Holding AG. Furthermore, FIL Limited, Pembroke, Bermuda, announced a stake of 3.25% as published on the SIX

disclosure platform on October 9, 2021. For information on shareholders of Sulzer Ltd that have reported shareholdings of over 3% or a reduction of shareholdings below 3%, please refer to the website of the Disclosure Office of SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. For the positions held by Sulzer and information on shareholders, see [note 24](#) to the “consolidated financial statements”. There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 5%. For information on transaction with related parties, see [note 32](#) to the “consolidated financial statements”.

Capital structure

Share capital

The fully paid-up share capital of Sulzer Ltd amounts to CHF 342'623.70 and is divided into 34'262'370 registered shares with a par value of CHF 0.01 per share. The shares are issued in the form of uncertificated securities within the meaning of art. 973c of the Swiss Code of Obligations and are held as intermediated securities within the meaning of the Swiss Federal Act on Intermediated Securities of October 3, 2008. Each registered share entitles the holder to one vote at the Shareholders' Meeting. The company's Articles of Association provide for the possibility of a share capital increase in a maximum amount of CHF 17'000 through the issuance of up to 1'700'000 registered shares with a par value of CHF 0.01 per share (corresponding to 4.96% of the current share capital) through the voluntary or mandatory exercise of certain conversion, option or similar rights for the subscription of shares granted to shareholders or third parties in connection with bonds, loans or other financial market instruments of Sulzer Ltd or any of the companies controlled by it (for more details, see § 3a of the Articles of Association). The introduction of this conditional capital was approved by Sulzer Ltd's shareholders at the AGM on April 14, 2021. There is no authorized capital, nor are there any participation or dividend certificates. The latest version of the Articles of Association is available at www.sulzer.com/governance (under "Articles of Association").

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees shall only be entered in the share register with the right to vote if they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into a written agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register if the above-mentioned conditions are not met (see also § 6a of the Articles of Association at www.sulzer.com/governance). On December 31, 2021, ten nominees holding a total of 1'544'049 shares (4.51% of total shares) had entered into agreements concerning their status. No exceptions were granted. All of those shares were entered in the share register with voting rights. Other than these restrictions on nominee voting, there are no transfer restrictions and no privileges under the Articles of Association. A removal or amendment of the nominee voting restrictions requires a shareholders' resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the restricted share units (RSUs) issued to the members of the Board of Directors as well as performance share units (PSUs) and RSUs issued to the members of the Executive Committee are set out under [note 31](#) to the "consolidated financial statements" and under [note 12](#) to the "financial statements of Sulzer Ltd".

Board of Directors

Members of the Board of Directors are elected individually for one-year terms. At the AGM of April 14, 2021, Marco Musetti and Lukas Braunschweiler did not stand for re-election. All other members were re-elected, and Peter Löscher was re-elected as Chairman of the Board of Directors. In addition, Suzanne Thoma and David Metzger were elected as new members of the Board of Directors. The Board consists of eight members. None of them has ever held an executive position at Sulzer.

All members of the Board of Directors are non-executive. None of the members of the Board of Directors have ever belonged to the management of a Sulzer company or to the Executive Committee, nor do any significant business relationships exist between members of the Board of Directors and Sulzer Ltd or a subsidiary of Sulzer Ltd.

Elections and terms of office

The Articles of Association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. Each member is elected individually. The term for members of the Board of Directors is one year. At the AGM of April 14, 2021, six Board members were re-elected to the Board of Directors, all for terms of one year. Marco Musetti and Lukas Braunschweiler did not stand for re-election. Suzanne Thoma and David Metzger were elected as additional members of the Board of Directors. The Board consists of eight members: two from Austria, one from Cyprus/Israel, one from Denmark, one from France/Switzerland, one from Russia and two from Switzerland. Professional expertise and international experience played a key role in the selection of the members. The members of the Board of Directors and their CVs can be viewed below.

According to the Board of Directors and Organization Regulations, the term of office of a Board member ends no later than on the date of the AGM in the year when the member reaches the age of 70. The Board of Directors can make exceptions up to but not exceeding the year in which the member reaches the age of 73.

Internal organization

The Board of Directors constitutes itself, except for the Chairman of the Board of Directors who is elected by the Shareholders' Meeting. The Board of Directors appoints from among its members the Vice Chairman of the Board of Directors and the members of the board committees, except for the members of the Nomination and Remuneration Committee, who are elected by the Shareholders' Meeting. There are currently three standing board committees (for their constitutions, see below):

- The Audit Committee (AC)
- The Nomination and Remuneration Committee (NRC)
- The Strategy and Sustainability Committee (SSC)

The Board of Directors and Organization Regulations and the relevant Committee Regulations, which are published at www.sulzer.com/governance (under "Regulations"), define the division of responsibilities between the Board of Directors and the CEO. They also define the authorities and responsibilities of the Chairman of the Board of Directors and of the three standing board committees.

The Board of Directors and its committees



BOARD OF DIRECTORS

Peter Löscher (Chairman)

Suzanne Thoma (Vice Chairwoman)
(since April 14, 2021)

Lukas Braunschweiler
(until April 14, 2021)

Hanne Birgitte Breinbjerg Sørensen

Mikhail Lifshitz

David Metzger
(since April 14, 2021)

Alexey Moskov

Marco Musetti
(until April 14, 2021)

Gerhard Roiss

AUDIT COMMITTEE

Hanne Birgitte Breinbjerg Sørensen
(Chairwoman)

David Metzger
(since April 14, 2021)

Alexey Moskov

Marco Musetti
(until April 14, 2021)

Gerhard Roiss

NOMINATION AND REMUNERATION COMMITTEE

Gerhard Roiss (Chairman)

Hanne Birgitte Breinbjerg Sørensen

Marco Musetti
(until April 14, 2021)

Suzanne Thoma
(since April 14, 2021)

STRATEGY AND SUSTAINABILITY COMMITTEE*

Peter Löscher
(Chairman until April 14, 2021;
ordinary member since
April 14, 2021)

Matthias Bichsel
(ordinary member until
April 14, 2021;
Chairman since April 14, 2021)

Lukas Braunschweiler
(until April 14, 2021)

Mikhail Lifshitz

Suzanne Thoma
(since April 14, 2021)

*To effectively govern Sulzer's sustainability agenda, the Board of Directors has decided to extend the scope of the Strategy Committee and to rename it to Strategy and Sustainability Committee as of April 15, 2020.

CVs of members of the Board of Directors



Peter Löscher
 Chairman of the Board
 Member of the Strategy and Sustainability Committee¹⁾

Educational background

- Diploma in Economics, Vienna University of Economics and Business, Austria, and Chinese University of Hong Kong, China
- Advanced Management Program, Harvard University, USA
- Honorary professor at Tongji University Shanghai; honorary doctorate of Engineering from Michigan State University; doctor honoris causa of Slovak University of Engineering in Bratislava

Binding interests

- Member of the Board of Directors, Telefónica, Spain
- Chairman of the Supervisory Board, Telefónica Holding AG, Germany
- Member of the Board of Directors, TBG AG, Switzerland
- Member of the Board of Directors, Doha Ventures LLC, Qatar
- Member of the Supervisory Board, Royal Philips N.V., Netherlands

Career

Peter Löscher (born 1957, Austria) joined the Sulzer Board of Directors and was appointed Chairman of the Board of Directors in 2014. As of April 1, 2020, Peter Löscher joined the Supervisory Board of Telefónica Deutschland as Chairman. As of April 30, 2020, he further joined the Supervisory Board of Royal Philips as a Board member. From 2014 to 2016, he was CEO and Delegate of the Board of Directors of Renova Management AG Switzerland. Previously, he was President and CEO of the German company Siemens AG (2007–2013), Chairman of the Board of Trustees of Siemens Stiftung Germany (2008–2014) and served as President of Global Human Health and Member of the Executive Board of Merck & Co., Inc., USA (2006–2007). From 2004 to 2006, he was CEO of Healthcare Bio-Sciences and Member of the Corporate Executive Council of General Electric in the US. He was COO and Member of the Board of Amersham plc., UK (2002–2004). From 1999 to 2002, he acted as Chairman and CEO of Aventis Pharma Ltd in Japan. He held various senior leadership positions with Hoechst Group in Germany, Spain, the US, and the UK (1987–1999).

¹⁾ Peter Löscher was Chairman of the SSC until April 14, 2021



Dr. Suzanne Thoma¹⁾
Vice Chairwoman of the Board
Member of the Nomination and Remuneration Committee

Educational background

- Ph.D. in Technical Sciences, ETH Zurich, Switzerland
- Master of Science degree in Chemical Engineering, ETH Zurich, Switzerland
- Bachelor's degree in Business Administration, Graduate School of Business Administration (GSBA), Zurich, Switzerland

Binding interests

- Member of the Board of Directors, OC Oerlikon²⁾, Switzerland
- Vice President of the foundation "Avenir Suisse", Switzerland

Career

Dr. Suzanne Thoma (born 1962, Switzerland) was elected as member of Sulzer's Board of Directors in 2021. She is CEO of BKW AG, Berne, Switzerland (stepping down in the course of 2022). Prior to being appointed CEO of BKW in 2013, she was a member of the Group Executive Committee of BKW, responsible for the Networks division. Before that, she was head of the Automotive division of the WICOR Group, Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland. Suzanne Thoma also served in various management roles and countries at Ciba Specialty Chemicals Ltd. (now BASF).

1) since April 14, 2021

2) will not stand for re-election at the AGM 2022 of OC Oerlikon



Matthias Bichsel
Member of the Board, (Vice Chairman¹⁾)
Chairman of the Strategy and Sustainability Committee²⁾

Educational background

- Ph.D. in Earth Sciences, University of Basel, Switzerland
- Honorary professor, Chinese University of Petroleum, China

Binding interests

- Member of the Board of Directors, Petrofac, UK
- Member of the Advisory Board, Chrysalix EVC, Canada
- Member of the Board of Directors, Canadian Utilities Ltd, Canada
- Member of the Board of Directors, Southpole Holding, Switzerland
- Member of the Board of Directors, Voliro AG, Switzerland

Career

Matthias Bichsel (born 1954, Switzerland) joined the Sulzer Board of Directors in 2014. Currently, he is member of the Board of Directors of Petrofac, UK (since 2015), member of the Board of Directors of South Pole Holding, Switzerland (since 2015), member of the Board of Directors of Canadian Utilities, Canada (since 2014), member of the Board of Directors of Voliro AG, Switzerland (since 2021) and member of the Advisory Board of Chrysalix EVC, Canada (since 2015). From 2009 to 2014, he was member of the Executive Committee of Royal Dutch Shell plc and Director of its Projects and Technology Business, the Netherlands. Previously, during his international career with Shell since 1980, he served in various senior management roles such as Executive Vice President in Exploration and Production, the Netherlands, CEO/Chairman of Shell International Exploration and Production Inc and Managing Director of Shell Deepwater Services, Houston, TX, USA.

1) until April 14, 2021

2) since April 14, 2021



Mikhail Lifshitz
 Member of the Board
 Member of the Strategy and Sustainability Committee

Educational background

- Graduate degree in Electronic Engineering, Bauman Moscow State Technical University, Russia
- Honorary Power Engineer, Mongolia
- Honorary Mechanical Engineer, Russia

Binding interests

- Chairman of the Board of Directors, Rotec, Russia
- Chairman of the Board of Directors, Ural Turbine Works, Russia
- Chairman of the Board of Directors, TEEMP, Russia
- Member of the Board of Directors, SOLIDpower S.p.a., Italy
- Member of the Board of Directors, Hevel, Russia
- Member of the Board of Directors, VoltAero, France

Career

Mikhail Lifshitz (born 1963, Russia) joined the Sulzer Board of Directors in 2016. From 2009 to 2011, he was High-Tech Assets Development Director of Renova Group and CEO (2009–2015) as well as Chairman of the Board of Directors (since 2015) of ISC Rotec. Furthermore, he has chaired the Board of Directors of Ural Turbine Works (since 2012), and served as member of the Board of Directors of Oerlikon AG (2013–2016). Previously, he was Founder and President of the Global Edge Group (2001–2009) and Marketing Director.



Alexey Moskov
 Member of the Board
 Member of the Audit Committee

Educational background

- Master's degree in Software Engineering/Developing from the Moscow State University of Railway Engineering, Russia

Binding interests

- Executive Chairman, Witel Ltd (formerly Renova Management Ltd), Switzerland
- Member of the Board of Directors, OC Oerlikon, Switzerland
- President of the Board of Directors, Liwet Holding AG, Switzerland (as of 2022)

Career

Alexey Moskov (born 1971, Russia, Cyprus and Israel) was elected as new member of the Sulzer Board of Directors in 2020. As of 2022, he is President of the Board of Directors of Liwet Holding AG. Since 2018, Alexey Moskov is Executive Chairman of Witel Ltd, Switzerland. Since 2016 he has been a member of the Board of Directors of OC Oerlikon and since 2019 of Swiss Steel Holding. From 2004 to 2018, he was Chief Operating Officer of Renova Management AG, Switzerland. Previously, he served as Vice-President and member of the Executive Board at Tyumen Oil Company (now TNK-BP), Russia, and as member of the Board of Directors of OAO NGK Slavneft, Russia (1998–2004).



Gerhard Roiss
 Member of the Board
 Chairman of the Nomination and Remuneration Committee
 Member of the Audit Committee

Educational background

- PhD in Economics, Johannes Kepler University of Linz, Austria

Career

Gerhard Roiss (born 1952, Austria) joined the Sulzer Board of Directors in 2015. He served as Chief Executive Officer and Chairman of the Executive Board of OMV AG (2011–2015). During more than two decades, he has held a variety of leadership positions within OMV AG. Among other functions, he has led the Refining and Marketing division (2002–2011), the Exploration and Production division (2000–2002), and the Chemicals and Plastics division (1997–2002). He was Chairman of the Supervisory Board of Petrol Ofisi A.S., Istanbul, Turkey (2010–2015), Chairman of the Supervisory Board of OMV Petrom S.A., Bucharest, Romania (2011–2015), and Chairman/Vice Chairman of the Board of Borealis AG, Vienna, Austria (1997–2011).



Hanne Birgitte Breinbjerg Sørensen
 Chairwoman Audit Committee
 Member of the Nomination and Remuneration Committee

Educational background

- MSc in Economics and Management, University of Aarhus, Denmark

Binding interests

- Member of the Board of Directors, Tata Motors Ltd., India
- Member of the Board of Directors, Ferrovial S.A., Spain
- Member of the Board of Directors, Holcim Ltd., Switzerland
- Member of the Board of Directors, Jaguar Land Rover Automotive PLC, United Kingdom
- Member of the Board of Directors, Tata Consultancy Services Ltd., India

Career

Hanne Birgitte Breinbjerg Sørensen (born 1965, Denmark) joined the Sulzer Board of Directors in 2018. In 2017, she was interim CEO of V.Group Limited, the world's largest ship management and marine service company headquartered in London. From 1994 to 2016, she held various positions within the A.P.Moller – Maersk A/S Group in Denmark, a conglomerate of several companies primarily within the energy and transportation industry: CEO of Damco, the Netherlands (2014–2016), CEO of Maersk Tankers, Denmark (2012–2013), Senior VP and Chief Commercial Officer of Maersk Line, Denmark (2008–2012)



David Metzger²⁾
 Member of the Board
 Member of the Audit Committee

Educational background

- Master of Business Administration from INSEAD Business School
- Master of Finance (lic. oec. publ.), University of Zurich

Binding interests

- Member of the Board of Directors, Swiss Steel Holding AG, Switzerland
- Member of the Board of Directors, Octo Telematics, Italy

Career

David Metzger (born 1969, Switzerland and France) was elected as member of Sulzer's Board of Directors in 2021. He has significant experience as a board member of private and public companies. He is currently Managing Director Investments and Portfolio Manager for Liwet Holding AG. Prior to this David held senior positions in Witel AG, and previously the Renova Group, as Deputy Managing Director M&A and Strategic Investment at Renova Management AG, and Chief Financial Officer of Venetos Management AG (part of the Renova Group). Prior to this, he held various roles at Good Energies Inc., Bain & Company, Novartis, and Morgan Stanley.

²⁾ since April 14, 2021

Operating principles of the Board of Directors and its committees

All decisions are made by the full Board of Directors. For each application, written documentation is distributed to the members of the Board of Directors prior to the meeting. The Board of Directors and the committees meet as often as required by the circumstances. The Board of Directors meets at least five times per year, the Audit Committee and the Nomination and Remuneration Committee meet at least three times per year, and the Strategy and Sustainability Committee meets at least twice per year. In 2021, the Board held three half-day meetings, one conference call for the constitution of the Board after the AGM and eight conference calls lasting 10 to 180 minutes. For further details, see the table below. The CEO, the CFO and the Group General Counsel (who is the Secretary of the Board of Directors) also generally attend the Board meetings in an advisory role. Other members of the Executive Committee are invited to attend Board meetings as required to discuss the midterm planning, the strategy and the budget, as well as division-specific items (such as large investments and acquisitions).

The committees do not make any decisions, but rather review and discuss the matters assigned to them and submit the required proposals to the full Board of Directors for a decision. At the next full Board meeting following the committee meeting, the Chairpersons of the committees report to the full Board of Directors on all matters discussed, including key findings, opinions and recommendations.

Board of Directors

Name	Nationality	Position	Entry	Elected until	Attending meetings of the			
					Board	AC	NRC	SSC
Peter Löscher	Austria	Chairman, Chairman SSC ¹⁾ /member SSC ²⁾	March 2014	2022	12	-	-	3
Matthias Bichsel	Switzerland	Vice Chairman of the Board ¹⁾ , member SSC ¹⁾ / Chairman SSC ²⁾	March 2014	2022	11	-	-	3
Lukas Braunschweiler ¹⁾	Switzerland	Member SSC	April 2018	2022	2	-	-	1
Mikhail Lifshitz	Russia	Member SSC	April 2016	2022	12	-	-	3
David Metzger ²⁾	Switzerland / France	Member AC	April 2021	2022	10	5	-	1 (guest)
Alexey Moskov	Cyprus / Israel	Member AC	April 2020	2022	11	5	-	1 (guest)
Marco Musetti ¹⁾	Italy / Switzerland	Member NRC, member AC	April 2011	2022	3	1	2	1 (guest)
Gerhard Roiss	Austria	Chairman NRC, member AC	April 2015	2022	12	4	10	2 (guest)
Hanne Birgitte Breinbjerg Sørensen	Denmark	Chairwoman AC, member NRC	April 2018	2022	10	6	10	2 (guest)
Suzanne Thoma ²⁾	Switzerland	Vice Chairwoman of the Board, member NRC, member SSC	April 2021	2022	10	-	8	2

AC = Audit Committee, NRC = Nomination and Remuneration Committee, SSC = Strategy and Sustainability Committee

1) Until April 14, 2021.

2) From April 14, 2021

Additional mandates of members of the Board of Directors outside the Sulzer group

According to Sulzer's Articles of Association (published at www.sulzer.com/governance, under "Articles of Association"), the maximum number of additional mandates held by members of the Board of Directors outside the Sulzer group is ten (of which a maximum of four mandates may be with listed companies) (Art. 33). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association (§ 33 paragraphs a, b and c).

Audit Committee

The Audit Committee (members listed above) assesses the midyear and annual consolidated financial statements and, in particular, the activities – including effectiveness and independence – of the internal and statutory auditor, as well as the cooperation between the two bodies. It also assesses the Internal Control System (ICS), risk management and compliance; at least one meeting per year is dedicated to risk management and compliance. The regulations of the Audit Committee can be viewed at www.sulzer.com/governance (under "Regulations"). The CEO, the CFO, the Group General Counsel (at least partially), the Head of Group Internal Audit (who is also the Secretary of this committee) and the external auditor-in-charge attend the meetings of the Audit Committee. In 2021, the Audit Committee held four regular meetings, in February, July, September and December. The meetings lasted on average between two and two and a half hours. In addition, two extraordinary meetings took place in August and October, which on average lasted 20 minutes. The statutory auditor attended all of these meetings. Internal experts, such as the Group General Counsel and the Heads of Group Internal Audit, Group Treasury, Group Accounting, Group IT, Group Compliance and Risk Management, and Group Tax gave presentations to the Audit Committee in 2021. In February,

the Audit Committee is informed of compliance exposures as a result of periodic risk assessments, and it receives an overview of compliance cases under investigation. In September, the Audit Committee is briefed on the present state of risk management within the company and on the results of the risk management process — a process to systematically identify and evaluate significant risks and introduce countermeasures. In the same meeting, an update on Sulzer's compliance approach, including the respective ongoing — and planned — activities, is provided. The major current compliance cases (if any) are reported to and discussed by the Audit Committee regularly.

Nomination and Remuneration Committee¹⁾

The Nomination and Remuneration Committee (members listed above) assesses the criteria for the election and re-election of Board members and the nomination of candidates for the top two management levels and deals with succession planning. It also assesses the compensation systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets for the latter) on behalf of the Board of Directors and in accordance with its specifications. It carries out broadly based compensation benchmarks with an international comparison group, supported by studies of consulting firms such as Mercer and Willis Towers Watson, and it scrutinizes the work of internal and external consultants. The members of the Nomination and Remuneration Committee are elected by the Shareholders' Meeting. The regulations of the Nomination and Remuneration Committee are available at www.sulzer.com/governance (under "Regulations"). The CEO and the Chief Human Resources Officer (who is also the Secretary of this committee) attend the meetings of the Nomination and Remuneration Committee. In 2021, four regular meetings were held in January, July, September and December, taking on average two hours. Furthermore, the NRC held six extraordinary meetings by conference call, lasting on average 60 minutes. Independent third-party market compensation data was provided to the NRC, especially by Mercer with respect to executive management's remuneration.

1) The Board of Directors intends to split the Nomination and Remuneration Committee into two separate committees after the 2022 AGM: a Nomination and a Remuneration Committee. The members of the Remuneration Committee will continue to be elected by the AGM.

Strategy and Sustainability Committee

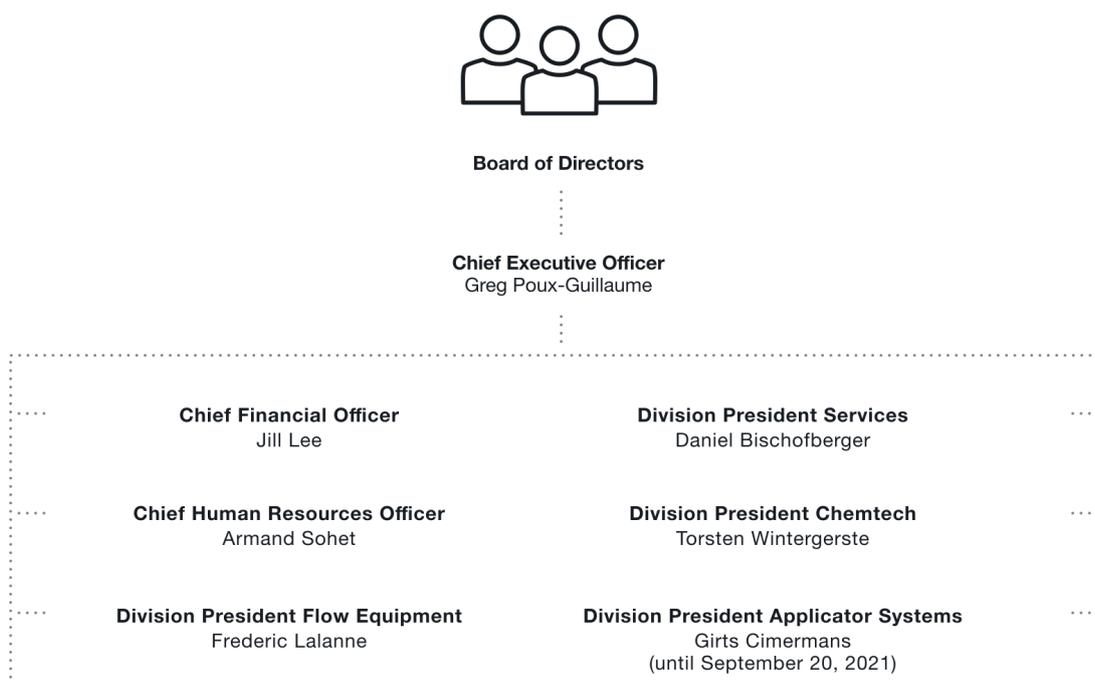
To effectively govern Sulzer's sustainability agenda, the Board of Directors decided to extend the scope of the Strategy Committee and to rename it the Strategy and Sustainability Committee as of April 15, 2020. The Strategy and Sustainability Committee (members listed above) advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances and joint ventures), strategic planning, definition of development priorities, and the company's sustainability initiatives and objectives as well as on other relevant public policy matters. The regulations of the Strategy and Sustainability Committee can be viewed at www.sulzer.com/governance (under "Regulations"). In 2021, three meetings (one regular, two via conference call) took place in February, May and October, lasting one and a half to two and a half hours.

Division of powers between the Board of Directors and the CEO

The Board of Directors has largely delegated executive management powers to the CEO. However, it is still responsible for matters that cannot be delegated in accordance with Art. 716a of the Swiss Code of Obligations. These matters include corporate strategy, the approval of midterm planning and the annual budget, as well as key personnel decisions and the preparation of the compensation report. The same applies to acquisition and divestiture decisions involving a transaction value exceeding CHF 30 million, investments in fixed assets exceeding CHF 15 million, major corporate

restructurings, approval of dispute settlements with an impact on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million, as well as other matters relevant to the company, and decisions that must be made by law by the Board of Directors. The competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the organizational regulations at www.sulzer.com/governance (under “Regulations”).

Management structure



Information and control instruments

Each member of the Board of Directors receives a copy of the monthly financial information (January to May and July to November), plus the midyear and annual financial statements. These include information about the balance sheet, the income and cash flow statements, and key figures for the company and its divisions. They incorporate comments on the respective business results and a rolling forecast for the current business year. The CEO and CFO report at every Board meeting on business developments and all matters relevant to the company; once each year, the Board receives the forecasted annual results. During these Board meetings, the Chairs of the committees also report on all matters discussed by their committees and on the key findings and assessments, and they submit proposals accordingly. Each year, the Board of Directors discusses and approves the budget for the following year and the midterm plan, which is also subject to periodic review. The Chairman of the Board of Directors regularly consults with the CEO and other representatives of the Executive Committee. In addition, the Board of Directors receives a status update on investor relations on a regular basis.

Group Internal Audit

Group Internal Audit reports functionally directly to the Chair of the Audit Committee, but administratively to the CFO. Meetings between Group Internal Audit and the statutory auditor take place regularly. They are used to prepare for the meetings of the Audit Committee, to review the interim and final reports of the statutory auditor, and to plan and coordinate internal and external audits. Group companies are audited by Group Internal Audit based on an audit plan that is approved by the Audit Committee. Depending on the risk category, such audits are carried out on a rotational basis either annually or every second, third or fourth year. Group Internal Audit carried out 36 audits in the year under review. One of the focal points is the Internal Control System (ICS). The results of each audit are discussed in detail with the companies and (where necessary) the divisions concerned, and key measures are agreed upon. The Chairman of the Board of Directors, the members of the Audit Committee, the CEO, the CFO, the Group General Counsel as well as the respective Division President and other line managers of the audited entity receive a copy of the audit report. Significant findings and recommendations are also presented to and discussed with the Executive Committee and the Group General Counsel during the monthly Executive Committee meetings. A follow-up process is in place for all group internal audits, which allows efficient and effective monitoring of how the improvement measures are being implemented. Each year, the Head of Group Internal Audit compiles a report summarizing activities and results. This report is distributed to members of the Board of Directors and the members of the Executive Committee, and it is presented to the Executive Committee and the Audit Committee. It is discussed in both committees and, thereafter, reported to the Board of Directors.

Risk management and compliance

Sulzer has established and implemented a comprehensive, value- and risk-based compliance program that focuses on prevention, detection and response. It consists of the following main elements:

Strong values and building up a strong ethical and compliance culture

Sulzer puts a high priority on conducting its business with integrity, in compliance with all applicable laws and internal rules (“a clean deal or no deal”), and on accepting only reasonable risks. Sulzer follows a “zero-tolerance” compliance approach. The Board of Directors and the Executive Committee are convinced that compliant and ethical behavior in all aspects and on all levels is a precondition for successful and sustainable business. The ethical tone is set at the top, carried through to the middle, and is transmitted to the entire organization. Sulzer also fosters a speak-up culture and encourages employees to address potentially non-compliant behaviors. Retaliation against whistleblowers acting in good faith will not be tolerated.

Risk assessment

As part of Sulzer’s integrated risk management process, compliance risks are assessed regularly and mitigated with appropriate and risk-based actions. The results are discussed both with the management and with the Audit Committee. The Audit Committee dedicates at least one full meeting per year to risk management and compliance. An overview of the main risks and corresponding mitigation measures is provided in the chapter “[Risk management](#)” of this corporate governance report.

Internal rules and tools

Sulzer has a Code of Business Conduct, which can be viewed in 18 languages at www.sulzer.com/governance (under “Code of Business Conduct”). Every employee of the company (including employees of newly acquired businesses) has to confirm in writing that he or she has read and understood this code, and will comply with it. Every member of the Sulzer Management Group (approximately 70 managers), the heads of the operating companies, the headquarters, regional and local compliance officers as well as the legal entity finance heads must reconfirm this compliance commitment in writing annually. Furthermore, Sulzer joined the UN Global Compact initiative in 2010. The latest [Communication on Progress Report](#) was published on September 10, 2021, and can be downloaded from www.sulzer.com/sustainability.

Rules

Although Sulzer follows a behavior- and principle-based approach, compliance directives and processes have been implemented as elements of the governance framework. Sulzer focuses on the major compliance risks, e.g.:

- Bribery and corruption risks: Sulzer has had a group-wide anti-bribery and anti-corruption program in place since 2010. This program includes a web-based process that addresses the due diligence of intermediaries, a company-wide directive for offering and receiving gifts and hospitalities, and an e-training module (in thirteen languages) to familiarize Sulzer employees with the requirements of the directive.
- Antitrust and anticompetition risks: Sulzer has an antitrust directive addressing behaviors in trade associations in place.
- Export control risks: Employees involved in export activities have to comply with all applicable export and re-export laws and regulations. Sulzer rolled out and implemented its global Trade Control Directive in all legal entities concerned. Every exporting legal entity has an internal control program (ICP) in place that includes processes and defines responsibilities on export control matters and other important requirements to comply with export compliance laws and regulations.
- Further risks (e.g. non-compliance with stock exchange laws and regulations; human resource-related issues; insufficient protection of intellectual property and know-how; violations of privacy and data protection laws; product liability; risk related to environment, quality, safety and health, etc.): Focused rules and processes address these and many other potential risks. Sulzer has processes that ensure compliance with insider laws as well as stock exchange reporting and notification duties. Local compliance officers performed 10 face-to-face compliance training sessions. Due to the COVID-19 preventive measures, face-to-face sessions have been replaced by 21 compliance webinars, conducted by Group Compliance and covering 2'610 employees. In addition, 34 export control trainings have been provided.

Tools

Sulzer has a compliance hotline and an incident reporting system that provides employees with one of many options for reporting (potential) violations of laws or internal rules. Reports can be made anonymously or openly via a free hotline or a dedicated website. The company has a directive that sets clear rules for internal investigations. Further tools are available to all employees on Sulzer's intranet (e.g. presentations addressing the major exposures, draft agreements, sales and procurement handbooks with compliance-specific explanations and standard clauses). Sulzer has a compliance risk assessment process in place to identify and assess potential compliance risks on a local entity

level and to define appropriate measures. For newly acquired companies, Sulzer sets up a post-merger integration process consisting of a systematic post-merger compliance risk analysis, which provides the foundation for risk-based mitigation actions.

Organization

Since 2013, Sulzer has had a Legal, Compliance and Risk Management group function (headed by the Group General Counsel). Within this organization, a line reporting structure is in place for the three regions: Americas (AME); Europe, the Middle East and Africa (EMEA); and Asia-Pacific (APAC). The local Compliance Officers ultimately report — via Regional Compliance Officers and the Chief Compliance Officer — to the Group General Counsel. In addition, the headquartered Compliance and Risk Management team steers and runs the group-wide compliance program and all compliance investigations. To ensure the consistent rollout of Group Compliance initiatives, the compliance organization uses direct reporting lines. The Group General Counsel informs the Board of Directors and the Executive Committee regularly about legal matters and key changes in legislation that may affect Sulzer, as well as on important litigation. Twice a year, the Audit Committee receives a report about any pending or threatened litigation with worst-case exposure exceeding CHF 0.5 million. Further information on reports to the Audit Committee is provided in the “Audit Committee” section above.

Awareness building and trainings

Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (new programs are rolled out and existing programs are updated every year), in person or through web conferences. In 2021, Sulzer employees completed 22'051 compliance e-learning courses.

Controls and sanctions

The Group Function Legal supports the audits done by Group Internal Audit following the same audit process. The Group Function Environment, Safety and Health (ESH) organized 10 external health and safety compliance audits. The focal points were occupational health and safety compliance with applicable regulations. The results of each of these audits were discussed directly with the responsible managers, and an agreement was reached on any improvements required. Audit actions are reported in a central repository (group tool) that enables the follow-up and tracking of closures and is regularly reviewed by management. The latest status of the company's risks relating to environment, safety and health is reported to the Audit Committee once a year. Apart from these formal audits, internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication) were carried out during 2021 and at least five employees had to leave Sulzer because of violations of Sulzer's Code of Business Conduct. Others received warnings or faced other disciplinary measures. However, most of the reports received concerned non-material issues.

Continuous improvement

It is Sulzer's goal to constantly improve its compliance and risk management approach. Findings of audits and internal investigations are assessed, internal processes and rules are adjusted, and training modules are improved. Sulzer always reviews compliance violations to determine whether they are rooted in a process weakness. If that is found to be the case, the process will be improved and risk-mitigating measures will be taken.

Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Human Resources Officer (CHRO) and the Division Presidents.

The Board of Directors delegates executive management powers to the CEO. The CEO delegates the appropriate powers to the members of the Executive Committee (EC). The Division Presidents define and attain business targets for their respective divisions in accordance with group-wide goals. The Board of Directors and Organization Regulations govern, among other things, the transfer of responsibilities from the Board of Directors to the CEO (the regulations can be viewed at www.sulzer.com/governance, under “Regulations”). There are no management contracts with third parties. None of the Executive Committee members has a contract with a notice period exceeding 12 months. The members of the Executive Committee and their CVs can be viewed below. In the course of the medmix spin-off, Girts Cimermans became the CEO of medmix Ltd and left the Executive Committee of Sulzer Ltd as of September 20, 2021.

Additional mandates of members of the Executive Committee outside the Sulzer group

No member of the Executive Committee may hold more than five mandates, of which no more than one may be in listed companies (Articles of Association, § 33; published at www.sulzer.com/governance, under “Articles of Association”). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association (§ 33, paragraphs a, b and c).

CVs of Executive Committee members



Greg Poux-Guillaume¹⁾
Chief Executive Officer

Educational background

- MBA, Harvard Business School, USA
- Master of Science, Mechanical Engineering, Ecole Centrale Paris, France

Binding interests

- Chairman of the Board of Directors of medmix Ltd, Switzerland
- Board member Swiss-American Chamber of Commerce

Career

Greg Poux-Guillaume (born 1970, France) was appointed Chief Executive Officer of Sulzer in 2015. He joined from General Electric, where he had been named CEO of GE Grid Solutions upon the closing of GE's takeover of Alstom's energy businesses. Previously, he was Executive Vice President of Alstom Group and a member of the Executive Committee, and served as President and CEO of Alstom Grid (2011–2015). From 2009 to 2011, he was a Senior Managing Director at CVC Capital Partners. Prior to this, he held various positions with Alstom Group (2003–2008), in technology venture capital with Softbank and in consulting with McKinsey & Company. Greg started his career in Exploration and Production with Total (1993–1997).

¹⁾ stepping down on February 18, 2022



Jill Lee¹⁾
Chief Financial Officer

Educational background

- Master of Business Administration (MBA), Nanyang Business School, Singapore
- Bachelor of Business Administration, National University of Singapore, Singapore

Binding interests

- Member of the Board of Directors, Schneider Electric SE, Switzerland
- Member of the Board of Directors, medmix Ltd, Switzerland
- Member of the Foundation Board, IMD Business School, Switzerland

Career

Jill Lee (born 1963, Singapore) joined the Sulzer Executive Committee as Chief Financial Officer in 2018. From 2011 until 2018, she was a member of the Sulzer Board of Directors. Besides that, she was the Senior Group Vice President and Head of Next Level Program Management of ABB Ltd. From 2012 to 2014, she was the Senior Vice President and CFO for ABB China and North Asia Region. Prior to this, she served as Senior Vice President, Finance Strategy and Investments for Neptune Orient Lines in Singapore (2010–2011). She has also held a number of positions with Siemens, including global Chief Diversity Officer (2008–2010), CFO and Senior Executive Vice President of Siemens in China (2004–2008), CFO and Senior Vice President of Siemens in Singapore (2000–2004), CFO Asia-Pacific and General Manager of the Asia Regional Headquarters of Siemens Electromechanical Components in Singapore (1997–2000).

1) Retiring later in 2022



Armand Sohet
Chief Human Resources Officer
Chief Sustainability Officer

Educational background

- Diploma in Mathematics and Sociology from Besançon University, France
- Graduate of Institut d'Etudes Politiques Paris, France

Career

Armand Sohet (born 1965, France) joined the Executive Committee as Chief Human Resources Officer in 2016 and was appointed Chief Sustainability Officer in 2021. He was Human Resources Senior Executive Leader of GE Grid Solutions from 2015 to 2016. Before, he was Head of Human Resources at Alstom Grid (2011–2015). From 2010 to 2011, he served as Group Vice President of Constellium. From 2007 to 2010, he led Human Resources for Thales Defence & Security C4I Systems. He previously held various positions at Novartis in Switzerland and in France, including Head of Human Resources of the Ophtha business unit, Basel, Switzerland (2006–2007), Head of Human Resources of Western and Central Europe, Basel (2004–2006), Head of Human Resources of Novartis France (2000–2004), and Human Resources Manager of Field Forces and Marketing at Novartis Pharma France (1998–2000). Armand Sohet started his career at Peugeot PSA, where he served in various managerial positions in the field of Human Resources (1989–1998).



Frederic Lalanne¹⁾
 Division President Flow Equipment

Educational background

- International Executive Program, Insead, Fontainebleau, France
- Master in International Politics, Université Libre de Bruxelles, Belgium
- Post Graduate Degree in Business Administration, Sorbonne, Paris, France
- Master's Degree in Sciences and Technology, Angers University, France

Career

Frederic Lalanne (born 1963, France) took over the position as Division President Flow Equipment on January 1, 2019. Frederic joined the Executive Committee as Chief Commercial and Marketing Officer in 2016. He joined from General Electric Grid Solutions in France, where he was Vice President Global Sales and Marketing (2015–2016). Previously, he was Senior Vice President Global Sales and Marketing at Alstom Grid in France (2012–2015). He worked as Managing Director of Catering International and Services, France (2011–2012), and was President Cegelec Worldwide Business of the Belgium-based company Cegelec (2008–2011). From 2005 to 2007, he served as Managing Director Alstom Projects India Ltd and Vice President Sales and Marketing Alstom Power in India. Before that, he held various positions as General Manager and Sales and Marketing Director at Pauwels Group in Belgium and Indonesia (1996–2004).

1) Succeeding Greg Poux-Guillaume as Chief Executive Officer on February 18, 2022



Daniel Bischofberger¹⁾
 Division President Services

Educational background

- Master's Degree in Industrial Engineering and Bachelor's Degree in Mechanical Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- MBA Program, Insead, Fontainebleau, France
- IMD, ABB Senior Leadership Development Program, Lausanne, Switzerland

Career

Daniel Bischofberger (born 1966, Switzerland) joined the Sulzer Executive Committee as Division President Services in 2016. Previously, he worked as Local Division Manager Power Products at ABB Switzerland (2011–2016). From 2004 to 2011, he was Head of Alstom's Gas Turbine Service Business, Switzerland. Before, he was Head of Corporate Development and Assistant to the CEO at the Swiss-based Dätwyler Holding Ltd (2002–2004). From 2000 to 2002, he acted as Head of Worldwide Sales and Marketing for a business unit of ABB High-Voltage Technologies Ltd, Switzerland. He started his career as Commissioning Engineer for gas turbine power plants at ABB Power Generation in the USA and Libya and gradually took over different managing positions in the USA, Switzerland and Malaysia (1993–1998).

1) stepping down in early 2022



Torsten Wintergerste
Division President Chemtech

Educational background

- Master of Business Administration (Executive MBA), University of St. Gallen, Switzerland
- Doctorate in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich, Switzerland
- Master's Degree in Aerospace Engineering, University of Stuttgart, Germany

Career

Torsten Wintergerste (born 1965, Switzerland) was announced as Division President Chemtech and member of the Executive Committee in 2016. He has been Head of Chemtech's business unit Separation Technology for Europe, Middle East, India, Russia, and Africa since 2012. He joined Sulzer in 1998, first within the research and development unit Sulzer Innotec, where he became Head of the groupwide center of excellence for fluid technology. From 2006 to 2012, he worked in various managing positions within Sulzer's division Chemtech, amongst others Director Polymer Technology as well as Manager Technology and Business Development of the Sulzer Mixpac business unit. Before joining Sulzer, he was a research associate at the Swiss Federal Institute of Technology (ETH) Zurich in Switzerland (1994–1998) and at the National Aeronautics and Space Research Center in Germany (1992–1994).

Shareholder participation rights

Restrictions and representation of voting rights

Only nominees are subject to restrictions (see section “[Capital structure](#)” of this corporate governance report). No exceptions were granted during the reporting year, and no measures to remove these restrictions are planned. According to the Articles of Association, a shareholder may be represented at a Shareholders’ Meeting by its legal representative, another shareholder with the right to vote or the independent proxy. Shares held by a shareholder may be represented by only one person.

Statutory quorum

Changes to the Articles of Association may only be approved by a majority of at least two-thirds of the voting rights represented at the Shareholders’ Meeting, other than ordinary share capital increases (against payment in cash and without the exclusion of shareholders’ preemptive rights), which are decided by an absolute majority of the votes represented. The dissolution or a merger of the company can only be decided upon if at least half the shares issued are represented at the Shareholders’ Meeting and two-thirds thereof vote in favor of the corresponding proposal (see also § 16 of the [Articles of Association](#)).

Convocation of the Shareholders’ Meeting and submission of agenda items

The applicable regulations regarding requests for the convocation of an extraordinary Shareholders’ Meeting are in line with the applicable law regarding the convocation of a Shareholders’ Meeting. Shareholders representing at least 2% of the share capital may submit items for inclusion on the agenda of a Shareholders’ Meeting. Such submissions must be requested in writing at least two months prior to the meeting and must specify the agenda items and proposals of the shareholder concerned (see also § 12 of the [Articles of Association](#)).

Entry in the share register

Voting rights may be exercised by shareholders who are registered in the share register on the record date stated in the invitation to the respective Shareholders’ Meeting.

Independent proxy

At the AGM of April 14, 2021, Proxy Voting Services GmbH was elected as the independent proxy for a term of office extending until completion of the next AGM. The Articles of Association do not contain rules on the granting of instructions to the independent proxy and the electronic participation in the Shareholders’ Meeting which deviate from the default Swiss law.

Takeover and defense measures

The Articles of Association contain no opting-out or opting-up clauses. If there is a change of control, all restricted share units (RSUs) allocated to Board members are automatically vested. Also, the performance share units (PSUs) allocated to members of the Executive Committee are converted into shares on a pro rata basis and based on actual achievement of the performance targets, without being subject to blocking restrictions. A change of control includes an acquisition of, or a public takeover offer in relation to, more than 33.33% (RSUs) or 50% or more (PSUs) of the voting rights.

Auditors

The statutory auditor is elected at the AGM for a one-year term of office. KPMG AG has been acting as the statutory auditor since 2013. As of the financial year 2020, the acting external auditor-in-charge is Rolf Hauenstein. The external auditor-in-charge is replaced every seven years. The Audit Committee is in charge of supervising and monitoring the statutory auditor, and it reports to the Board of Directors (see section “Audit Committee” in the chapter “[Board of Directors](#)” of this corporate governance report). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The external auditor-in-charge and his deputy were invited to attend meetings of the Audit Committee. In 2021, the statutory auditor was present at all six Audit Committee meetings. The Audit Committee or its Chairperson meets separately with the Head of Group Internal Audit and the statutory auditor at least once a year to assess (among other things) the independence of the internal and statutory auditors. The Audit Committee evaluates the work done by the statutory auditor based on the documents, reports and presentations provided by the statutory auditor, as well as on the materiality and objectivity of their statements. To do so, the Audit Committee gathers the opinion of the CFO. The Audit Committee reviews the fee paid to the auditor regularly and compares it with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO and approved by the Board of Directors. Further information on the auditor, in particular the auditor’s fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed under [note 33](#) to the “consolidated financial statements”. All advisory services provided outside the statutory audit mandate (essentially, consulting services related to audit and accounting as well as legal and tax advisory services) are compliant with the applicable independence rules.

Risk management

At Sulzer, risks are assessed regularly as part of the company's integrated risk management process. The results are discussed with the management and the Audit Committee.

Risk	Risk exposure	Main loss controls
External and markets		
Market assessment	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	<ul style="list-style-type: none"> – Continuous monitoring and assessment of market developments – Systematic midrange planning based on market developments and expectations
Geopolitical shocks	A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.	<ul style="list-style-type: none"> – Monitoring of exposure in critical countries – Monitoring of debt situation of countries and banks – Continuous monitoring of raw material prices and inflation indicators – Sulzer's global presence mitigates the effect of geopolitical shocks
Strategic		
Innovation	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	<ul style="list-style-type: none"> – A phased process, technical risk manageability assessments and key performance indicators to ensure quality of the development – Product Development Council with strong focus on strategic plans and digitalization – Prototypes and own test beds to test and validate products before market release – Core Technology Council for research of basic technology – Focus on innovation with strategic customers – Innovation and ideation projects – Implementation of an expert development program for key critical resources
Environment, Social and Governance (ESG)	ESG-related regulations could change. Stakeholder expectations related to ESG commitments could change. Not meeting regulatory requirements could result in fines, limit access to financing, impact banking channels and result in loss of business and reputational damages	<ul style="list-style-type: none"> – Board Strategy and Sustainability Committee extended to cover ESG and sustainability – Setting of clear ESG-related objectives and progress tracking – ESG initiatives driven by EC including different group and business functions covering regulatory requirements and supply chain due diligence – ESG assessments in business projects
Operational		
Attraction and retention	Failure to attract, retain and develop people could lead to a lack of critical skills and knowledge, which hinders both daily operations and growth potential.	<ul style="list-style-type: none"> – Ensuring that Sulzer's people and performance efforts are anchored to the company's values and behaviors – Ongoing feedback through employee opinion survey "Voice of Sulzer" – Robust internal communications strategy – Ongoing engagement in workshops and collaborative activities – Visibility and access to creating development experiences and opportunities – Consistent approach to salary grading and benchmarking
Health and safety	An unsafe working environment could lead to harm to people, reputational damage, fines as well as liability claims and could have a serious economic impact.	<ul style="list-style-type: none"> – Health and safety directives, guidelines, programs (e.g. Safe Behavior Program) and training – OHSAS 18001 and ISO 45001 certifications – Monthly health and safety controlling and regular audits, systematic risk assessments – Global network of health and safety officers – Immediate implementation of COVID-19 preventive measures in all legal entities and workplaces, including: informing and training employees on COVID-19 preventive measures; implementation of risk assessment procedures, travel ban for high-risk countries and approval concepts for business travel; implementation of remote working; implementation of remote video to support final acceptance procedures in manufacturing

Environmental	Environmental damage could lead to harm to people and nature, reputational damage, fines as well as liability claims and could have a serious economic impact.	<ul style="list-style-type: none"> – Mitigation in comprehensive environmental due diligence (EDD) projects for acquisitions and divestitures – Elimination of environmentally damaging substances through Prohibited Substances List – Sulzer sustainability strategy that defines key targets in view of climate change
Compliance	Non-compliant or unethical behavior could lead to reputational damage, fines and liability claims.	<ul style="list-style-type: none"> – Active fostering of high ethical standards by tone from the top and middle management – Continuous monitoring and assessment of potential exposures – Continuous monitoring of regulatory environment – Sulzer Code of Business Conduct and a number of supporting regulations (e.g. anticorruption, antitrust, trade control) – Third-party due diligence process – Global and centrally led organization of compliance and trade compliance officers – Compliance training (incl. e-learning) and audits – Sensitive country list with escalation process and project-specific compliance assessments in high-risk countries – Speak-up culture, compliance hotline and sanction checks
Quality of products and services	Failure of high-quality products and services could lead to repeated work, reputational damage or liability claims.	<ul style="list-style-type: none"> – Quality management and assurance systems tailored to specific businesses – Third-party accreditation – Competence development programs and training of employees – Test centers
Business interruptions	Business interruption, such as a fire, could cause damage to people, property and equipment. It could have a negative effect on the ability to operate at the affected site. Security incidents could impact the IT infrastructure or systems, which could result in a business interruption. Business interruption caused by pandemic-related lockdowns or bottlenecks in logistics centers, lack of transport capacities, lack of raw materials or electronic parts or increased demand could have an impact on operations and supply chains and thus could lead to serious economic impact.	<ul style="list-style-type: none"> – Crisis and emergency management systems (at global and local level) including close monitoring of incidents which could impact supply chains – Risk management policy and guidelines – Global manufacturing footprint and global procurement – IT security standards, measures and incident response team – Disaster recovery plans in IT – Implementation of COVID-19 business interruption response team to support businesses in becoming qualified as essential service providers – Global monitoring of COVID-19-related governmental decisions and COVID-19 impacts on supply chains and availability of raw materials – Enhancement of IT infrastructure to cope with higher data volumes during extended remote work
Financial		
Financial markets	The unpredictability of financial markets may have a negative effect on Sulzer's financial performance and its ability to raise or access capital.	<ul style="list-style-type: none"> – Group financial policy – Foreign exchange risk policy – Trading loss limits for financial instruments
Credit	Credit risks arising from financial institutions and from customers could have a negative effect on Sulzer's financial performance and ability to operate.	<ul style="list-style-type: none"> – For financial institutions, only parties with a strong credit quality are accepted (third-party rated) – Individual risk assessment of customers with large order volumes – Continuous monitoring of country risks
Liquidity	Failure in liquidity risk management may have a negative effect on Sulzer's financial performance and its ability to operate.	<ul style="list-style-type: none"> – Continuous liquidity monitoring – Management of liquidity reserves at group level – Cash flow program to optimize liquidity and cash flow management – Efficient use of available cash through cash pooling

Information policy

Sulzer Ltd reports on its order intake every quarter (media releases) and on its financial results every half-year. In each case, it also comments on the business performance and outlook. In addition, the company reports on important events on an ongoing basis (ad hoc publications). The reporting referred to in the [compensation report](#) (including the respective references to the financial reporting section) complies with the recommendations on the content of the compensation report as laid out in section 38 of annex 1 to the Swiss Code of Best Practice for Corporate Governance.

Key dates in 2022

- February 18: Annual results 2021
- April 6: AGM 2022
- April 11: Order intake Q1 2022
- July 29: Midyear results 2022
- October 26: Order intake nine months 2022

These dates and any changes can be viewed at www.sulzer.com/events. Media releases (sent via e-mail) can be subscribed to at www.sulzer.com/subscribe. Other information is available on the Sulzer website www.sulzer.com, or by contacting Investor Relations: <https://www.sulzer.com/en/about-us/investors> – Christoph Ladner, Head of Investor Relations, +41 52 262 30 22

Material changes between December 31, 2021, and the publication of this report

In November and December 2021, respectively, Sulzer announced that Peter Löscher and Gerhard Roiss will not stand for re-election at the 2022 AGM and that Suzanne Thoma will be proposed as successor to Peter Löscher as the Chairperson of the Board. At the same time, it was communicated that on February 18, 2022, CEO Greg Poux-Guillaume would step down as CEO and be replaced by Frederic Lalanne. Furthermore, also as announced in December 2021, Daniel Bischofberger will also leave Sulzer and Tim Schulten has succeeded him in the Executive Committee of Sulzer as of January 1, 2022. Finally, CFO Jill Lee will retire later in 2022. Group Treasurer Thomas Zickler has been named the internal successor.

General blackout periods

Generally, and regardless of whether any inside information exists or not, pursuant to Sulzer Ltd's Securities Trading Regulation, the trading in Sulzer Ltd securities is prohibited for (a) the members of the Board of Directors and the Executive Committee, (b) any staff reporting to any member of the Executive Committee, (c) members of Group Finance, Group Planning and M&A, Group Communications and Investor Relations, and (d) any external advisors having access to inside information in connection with Sulzer Ltd's financial reporting, during the following periods: (i) the periods starting on January 1 and July 1 until and including the trading day of the public releases of the respective full-year or half-year reports (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight) and (ii) the periods starting on April 1 and October 1 until and including the trading day of the public releases of the respective quarterly results (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight).

Under certain circumstances (in particular in case of personal hardship), the company may allow exceptions to a blackout period upon reasoned request by an employee, provided that such employee is not in possession of any inside information. Such exceptions must be issued in writing with a copy to the employee's file.



Compensation report

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Paying for sustainable performance

Winterthur, February 18, 2022

Dear Shareholder,

On behalf of the Board of Directors as well as the Nomination and Remuneration Committee (NRC), I am pleased to present to you this year's compensation report. Once again in 2021, I appreciated the opportunity to work together with my colleagues and our stakeholders towards ensuring that Sulzer's compensation structure continues to reflect best-practice standards, proves to be attractive and competitive for employees, rewards sustainable performance and drives value creation for our shareholders.

2021 was a challenging year – however, I'm proud to say that Sulzer surmounted the challenges and was able to celebrate a strong finish to the year with record-high profitability. What was challenging for our company over the last year? On the one hand, the constraints from COVID-19 in many countries continued to impact our business. Nonetheless, thanks to the outstanding engagement of all employees, Sulzer once again demonstrated resilience and was able to clearly steer back to the path of success that the company was on before the pandemic broke out in 2020. On the other hand, in May 2021, the decision was made to spin off Sulzer's Applicator Systems (APS) division, and the spin-off was successfully executed with the listing of medmix on the Swiss Stock Exchange on September 30, 2021. To find out more about the rationale behind this decision and how it impacted the compensation of our Executive Committee in 2021, please refer to the corresponding special report covering the medmix spin-off.

Notwithstanding our great success story in 2021, a new leadership team will write the next chapter of Sulzer's success story. After 6 years of management stability, we are simply at the end of a leadership cycle and it's time to hand the baton over for the next leg. The leadership changes relate to both the Board of Directors as well as the Executive Committee.

Firstly, on the Board of Directors, Peter Löscher, the long-serving Chairman of Sulzer who has led the Board since 2014, will not stand for re-election at the Annual General Meeting (AGM) 2022. At the AGM 2022, Suzanne Thoma, currently Vice Chairwoman of the Board and member of the NRC, will stand for election as the Chairwoman of the Board. Furthermore, I, Gerhard Roiss, Chairman of the NRC, will also not stand for re-election at the AGM 2022.

At Executive Committee level, Greg Poux-Guillaume, Sulzer's CEO, decided to step down after six years at the helm of Sulzer and having led a successful turnaround of the company. Frederic Lalanne, formerly President of Sulzer's Flow Equipment division, was appointed CEO to succeed Greg Poux Guillaume as of February 18, 2022. Tim Schulten, formerly Sulzer's Group Head of Strategy, Marketing and Digital, has been promoted to be the President of Sulzer's Services division as of January 1, 2022, succeeding Daniel Bischofberger, who is leaving for an external CEO position. These appointments from our internal leadership bench underscore our sharp and committed focus on building our internal talent pipeline.

Executive Committee's compensation

The compensation eligibilities of our Executive Committee remained unchanged in 2021. Sulzer's compensation represents a modern and tailor-made system to guide the company successfully through the next years:

- A significant portion of variable compensation ensures a strong pay-for-performance orientation.
- Performance criteria are selected to provide appropriate incentives to achieve operational and strategic goals, thereby ensuring a strong alignment with Sulzer's corporate strategy.
- Variable compensation is granted in the form of performance share units (PSUs) to align the interests of the Executive Committee with those of shareholders.
- Short- and long-term variable compensation is subject to malus and clawback provisions.
- Share Ownership Guidelines (SOG) are implemented which oblige the Executive Committee members to hold Sulzer shares for the term of their office.
- Compensation levels are competitive and in line with market practice to attract and retain highly qualified employees who will keep Sulzer on the road to success through severe crises and beyond.

Paying for performance – our year 2021

Despite the constrained environment of the pandemic in 2021, Sulzer demonstrated agility in further strengthening its position as a leading company in industrial flow control products and services for markets such as water, energy, chemicals and industrial infrastructure. During the year, Sulzer streamlined its portfolio with the spin-off of medmix and the acquisition of Nordic Water, while continuing to advance on its growth path. Record-high profitability was achieved in 2021, with all divisions reaching new heights in profitability.

In 2021, we implemented the following adjustments to the Executive Committee's compensation system:

- To emphasize the pay-for-performance approach of our variable compensation even more, we decided to implement a clawback provision to our short-term incentive, i.e. the annual bonus.
- To reduce the complexity of the performance measurement within the Performance Share Plan (PSP), from 2021, the performance measurement of the relative total shareholder return (TSR) is evaluated against one peer group instead of two different peer groups as done in previous years. This decision reduces and simplifies the performance indicators for the PSP program from four to three, bringing Sulzer in line with market practice. The weighting of 50% of the performance criterion "relative TSR" within the PSP remained unchanged. As a recap, in the past years, the relative TSR was measured against the performance of a peer group of international peers (assigned with a weight of 75% within the "relative TSR" key performance criterion), as well as against the performance of the Swiss Market Index Mid (SMIM, assigned with a weight of 25% within the "relative TSR" key performance criterion). This approach meant that there were four performance indicators being measured for the PSP program, thereby adding complexity and deviating from market practice.
- To better reflect portfolio development and ensure a more appropriate composition of the peer group, there were also changes to the composition of the international peer group: SPX flow and Kirloskar Brothers were replaced by OC Oerlikon and Burckhardt Compression, which were selected from the predefined successor list of companies.

In terms of pay levels, we neither increased base salaries nor the target amounts for the bonus and PSP. In addition, there were no special grants on variable compensation. This given, for 2021, the target cash compensation remained unchanged compared to 2020. The compensation for the Executive Committee amounted to kCHF 14'609 in 2021 and was thereby below the maximum amount previously approved by Sulzer's AGM 2020 for the respective period.

Board of Directors' compensation

The Board of Directors compensation paid in 2021 was below the maximum amounts previously approved by the AGM for the respective periods. No changes to the Board's compensation were deemed necessary.

Compared to 2020, the compensation for the Board of Directors paid in 2021 remained unchanged and was 0.7% lower.

Governance

The NRC performed its regular activities in 2021, including recommending Executive Committee performance targets to the Board and compensation of Board, CEO and Executive Committee members. You will find further information on the NRC's activities, as well as compensation models and governance, in the following pages.

At Sulzer's AGM in 2022, you will be asked to vote on the maximum aggregate compensation for the Board of Directors for its 2022–2023 term and on the maximum aggregate compensation for the Executive Committee for 2023. For the fourth consecutive year, the maximum aggregate for the Board will remain flat. Reflecting the medmix spin-off and the subsequent reduction of the Executive Committee's size, the maximum aggregate for the Executive Committee will be reduced by CHF 2 million compared to 2022.

As per practice, this compensation report will be submitted for a non-binding, consultative vote to our shareholders. We encourage and pursue an open, regular dialogue with our stakeholders. Your constructive input is highly valued and appreciated as we continue to improve and align our compensation system. On behalf of Sulzer, the NRC and the Board, I thank you for your supportive feedback and for your continued trust in our company.

Sincerely,



Gerhard Roiss
Chairman of the Nomination and
Remuneration Committee

Special report – medmix spin-off

With the approval of Sulzer's shareholders obtained at the Extraordinary General Meeting on September 20, 2021, a 100% spin-off of our former Applicator Systems (APS) division from our core business through a 1:1 share split was successfully completed and we created two focused companies, leading in their respective markets. Since September 30, 2021, Sulzer and the former APS division which is now named medmix are both traded separately on the Swiss Stock Exchange.

Why was medmix separated from Sulzer?

Sulzer has a track record of incubating promising ventures and developing them to become market leaders. Over the past five years, Sulzer developed the former Applicator Systems division to become a global market leader in high-precision delivery devices for the healthcare, consumer and industrial segments. The rapid development of the former Applicator Systems division and the anticipated growth of its healthcare platform made 2021 the right time to spin it off as a separate, standalone company. As a focused company on its own, the growth story of the former Applicator Systems division will advance. The former Applicator Systems division was significantly undervalued as part of Sulzer and, by separating the business, Sulzer can renew its focus and accelerate its transformation. This separation created significant value for all stakeholders of Sulzer. The combined market cap of Sulzer and medmix went up by 45%. Each Sulzer shareholder got one medmix share granted in addition to each Sulzer share held and the combined share price of Sulzer and medmix was CHF 135.01.

How was Sulzer affected by the spin-off?

Sulzer took the opportunity of the spin-off to accelerate its transformation and boosted its business results in 2021, achieving strong growth to reach sales of CHF 3'155.3 million, as well as new highs in profitability across all divisions and at Sulzer level (operational profitability reached a record 9.3% with operational profit of CHF 293.3 million, excluding medmix). The renewed focus on our position as a leading company in industrial flow control products and services for water, energy, chemical and industrial infrastructure is also clearly appreciated by our investors. These positive outcomes validate the decision to separate medmix and Sulzer — with the renewed focus, Sulzer is in an even better position to drive the next level of its development.

What remuneration related measures has the NRC taken, and why?

When defining the target values for the variable compensation at the beginning of financial year 2021, these were defined without anticipating the medmix spin-off. Given this, the NRC adjusted the target values and corresponding thresholds and maximum values for the performance objectives to ensure proper, adequate target setting for the financial year 2021.

1. Bonus 2021

Sulzer demerged the Applicator Systems division by way of a symmetrical split on September 20, 2021. The financial figures of the Applicator Systems division for the year until September 20, 2021 are included in Sulzer's consolidated financial statements for 2021. As the performance objectives set

at the beginning of the year during annual target setting included the full year of 2021 for the Applicator Systems division, the target objectives for the Applicator Systems division are adjusted to reflect the phased targets up to September 20, 2021. This ensures that the actual financial figures for the Applicator Systems division are assessed against the corresponding targets for a comparable measurement period. Consistently, Sulzer Group's achievement is assessed based on the aggregation of the full 2021 annual performance of all continuing businesses and Applicator Systems division for the period until September 20, 2021.

2. Performance Share Plan

The key performance targets for the unvested performance share plans of PSP 2019, PSP 2020 and PSP 2021 had been established without the anticipation of the spin-off of the Applicator Systems division. Therefore, the target performance conditions for the respective PSPs were originally determined with the full inclusion of the financial values of the Applicator Systems division. Given the spin-off of the Applicator Systems division, Sulzer adopted the methodology typically used in a spin-off context to neutralize the consequences from the demerger. The number of originally granted PSUs was recalculated to neutralize the effect of the spin-off on share price to continue a fair incentive. The target values of the Applicator Systems division for PSP 2019, PSP 2020 and PSP 2021, as derived from their respective three-year financial plans, are deducted for Sulzer group. As a result, the target values for Sulzer group comprise only what remains as continuing businesses within the group. Furthermore, for each performance condition (i.e. operational profit growth and operational ROCEA) of PSP 2019, PSP 2020 and PSP 2021, the performance curve depicting the gradient formed from the threshold, target and cap performance level remains unchanged. By adopting such a methodology, Sulzer keeps consistency with the performance-based measurement approach of its PSP and upholds the underlying three-year strategic/financial targets of its continuing businesses.

Compensation governance and principles

Compensation policies and plans at Sulzer reward performance, sustainable growth and long-term shareholder value creation. The compensation programs are competitive, internally equitable, straightforward and transparent. The compensation report is prepared in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance), the SIX Swiss Exchange Directive on Information relating to Corporate Governance (RLCG) and the principles of the Swiss Code of Best Practice for Corporate Governance.

Nomination and Remuneration Committee

The Articles of Association, the Board of Directors and Organization Regulations, and the Nomination and Remuneration Committee Regulations (please find them at www.sulzer.com/governance, under “Regulations”) define the functions of the Nomination and Remuneration Committee (NRC). The NRC supports the Board of Directors in nominating and assessing candidates for positions on the Board of Directors and Executive Committee, in establishing and reviewing the compensation strategy and principles, and in preparing the respective proposals for the Shareholders’ Meeting regarding the compensation of the members of the Board of Directors and of the Executive Committee.

The NRC is responsible for the following activities and submits all proposals concerning these activities to the Board of Directors, which has the final decision authority:

- Periodic assessment of the membership structure of the Board of Directors, determination of selection principles and identification of potential candidates to the Board of Directors
- Succession planning for the CEO and Executive Committee positions (two upper management levels)
- Periodic assessment of the compensation policy and programs
- Determination of performance targets for the CEO and the Executive Committee positions for the purpose of the incentive plans
- Preparation of the respective proposals for the Shareholders’ Meeting on the maximum aggregate amounts of compensation for the Board of Directors and for the Executive Committee
- Determination of the target compensation for the CEO and for the Executive Committee positions
- Preparation of the compensation report

The table below describes the levels of authority:

	CEO	NRC	Board	Shareholders' Meeting
Selection criteria and succession planning for Board of Directors		proposes	approves	
Selection criteria and succession planning for Executive Committee	proposes	reviews	approves	
Compensation policy and programs		proposes	approves	
Aggregate maximum compensation amounts for the Executive Committee and for the Board of Directors to be submitted to vote at the AGM		proposes	reviews	approves (binding vote)
Individual compensation of the members of the Board of Directors		proposes	approves	
Compensation of the CEO		proposes	approves	
Individual compensation of the members of the Executive Committee	proposes	reviews	approves	
Performance objectives and assessment of the CEO		proposes	approves	
Performance objectives and assessment of the Executive Committee	proposes	reviews	approves	
Compensation report		proposes	approves	consultative vote

The NRC consists of at least three members who are non-executive and independent and who are elected individually and annually by the Shareholders' Meeting for the period of office until the following ordinary AGM. At the 2021 AGM, Gerhard Roiss (Chairman) and Hanne Birgitte Breinbjerg Sørensen were reelected as members of the NRC. Suzanne Thoma was elected for the first time to the Board of Directors in 2021 and since then is also member of the NRC. She replaced Marco Musetti as a member of the NRC.

The NRC meets as often as the business requires, but at least twice a year. In 2021, the NRC held four regular and six extraordinary meetings that were attended by all members. Besides the standard agenda items, the NRC further focused its efforts on ensuring continuity and succession planning for the positions on the Board of Directors and the Executive Committee.

The CEO and the Chief Human Resources Officer, who serves as the Secretary of the NRC, generally attend the meetings. The Chairman of the Committee may invite other executives to join the meeting in an advisory capacity, when appropriate. However, the CEO and any other executives do not participate in the meetings, or parts of it, when their own remuneration and/or performance is discussed.

The Chairman of the NRC reports to the next meeting of the full Board of Directors on the activities of the NRC and the matters debated. The Chairman, as far as necessary, submits the respective proposals for approval by the Board of Directors. The minutes of the NRC meetings are available to all members of the Board of Directors.

The NRC may appoint third-party companies to provide independent advice or perform services as it deems necessary for the fulfillment of its duties.

Shareholders' role and engagement

The company is keen to receive shareholders' feedback on the compensation policy and programs, and it began the practice of holding a consultative vote on the compensation report in 2011. Further, the company regularly meets with shareholders and shareholder representatives to understand their perspectives. At the AGM, shareholders approve the maximum aggregate compensation amounts for the Board of Directors and for the Executive Committee in an annual binding vote.

Further, the Articles of Association, which are also subject to shareholders' approval, regulate the principles of compensation. They include the following provisions related to compensation (full version of the Articles of Association can be found at www.sulzer.com/governance, under "Articles of Association"):

- Principles of compensation (article 31): Non-executive members of the Board of Directors receive fixed compensation only. Members of the Executive Committee receive fixed and variable compensation elements. The variable compensation may include short-term and long-term variable compensation components. These are governed by performance metrics that take into account the performance of the company, the group or parts of it, targets in relation to the market, other companies or comparable benchmarks and/or individual targets, as well as strategic and/or financial objectives. Compensation may be paid in the form of cash, shares, options, financial instruments or similar units, in kind, in services, or in other types of benefits.
- Shareholders' binding vote on remuneration (article 29): the Shareholders' Meeting shall approve the maximum aggregate amount of compensation for the Board of Directors for the next term of office and the maximum aggregate amount of compensation for the Executive Committee for the following financial year. The Board of Directors shall submit the annual compensation report to an advisory vote at the AGM.
- Additional amount for members of the Executive Committee hired after the vote on remuneration by the Shareholders' Meeting (article 30): to the extent that the maximum aggregate amount of compensation as approved by the Shareholders' Meeting does not suffice, up to 40% of the maximum aggregate amount of compensation approved for the Executive Committee is available, without further approval, for the compensation of the members of the Executive Committee who were appointed after the AGM.
- Loans, credit facilities, and post-employment benefits for members of the Board of Directors and of the Executive Committee (article 34): the company may not grant loans or credits to members of the Board of Directors and of the Executive Committee.

Compensation architecture for the CEO and Executive Committee members

Compensation principles

The compensation of the Executive Committee is driven by the main principle of pay for performance. The compensation policy and programs are designed to reward performance, sustainable growth and long-term shareholder value creation, while offering competitive remuneration to be able to attract and retain highly qualified employees. The compensation principles are:

Risk	Risk exposure
Pay for performance	A substantial portion of the compensation is delivered in the form of variable incentives based on company and individual performance.
Strategy alignment	The performance criteria are selected to create adequate incentives for achieving the operational and strategic objectives.
Ownership	Part of the compensation is delivered in the form of company equity to foster ownership and to align the interests of executives with those of shareholders.
Market competitiveness	Compensation levels are competitive and in line with market practice to attract and retain highly qualified employees.
Internal equity	The internal compensation structure is based on a job-grading methodology applied globally.
Transparency	Compensation programs are straightforward and transparently explained in the compensation report.

Method of determining compensation: benchmarking

To ensure compensation levels that are competitive and in line with market practice, the compensation of the Board of Directors and of the Executive Committee is benchmarked against that of similar roles in comparable companies every one to two years. For this purpose, the NRC selected a peer group of international industrial companies headquartered in Switzerland based on their revenue and number of employees. Sulzer is positioned between the first quartile and median of the peer group.

The NRC regularly reviews the composition of the peer group, which is applied for benchmarking purposes. Having reviewed the composition in 2021, the NRC decided that from 2022, the composition of the peer group should be revised. Going forward, companies of a comparable size from the Swiss market will form the respective peer group, which is used to derive the compensation levels for the Board of Directors as well as for the Executive Committee.

Compensation benchmark

The comparison group reflects Sulzer's ambitious business strategy:

- ABB
- Clariant
- Georg Fischer
- Lonza
- OC Oerlikon
- Rieter
- Schindler
- Sika
- Sonova
- Tetra Laval Group

The intention is to pay target compensation around the median of the relevant market. Nevertheless, compensation increases are not granted based on benchmark results alone. The role, responsibility and current performance of the individual Executive Committee member is assessed at the same time. A globally applied job-grading methodology fosters internal equity.

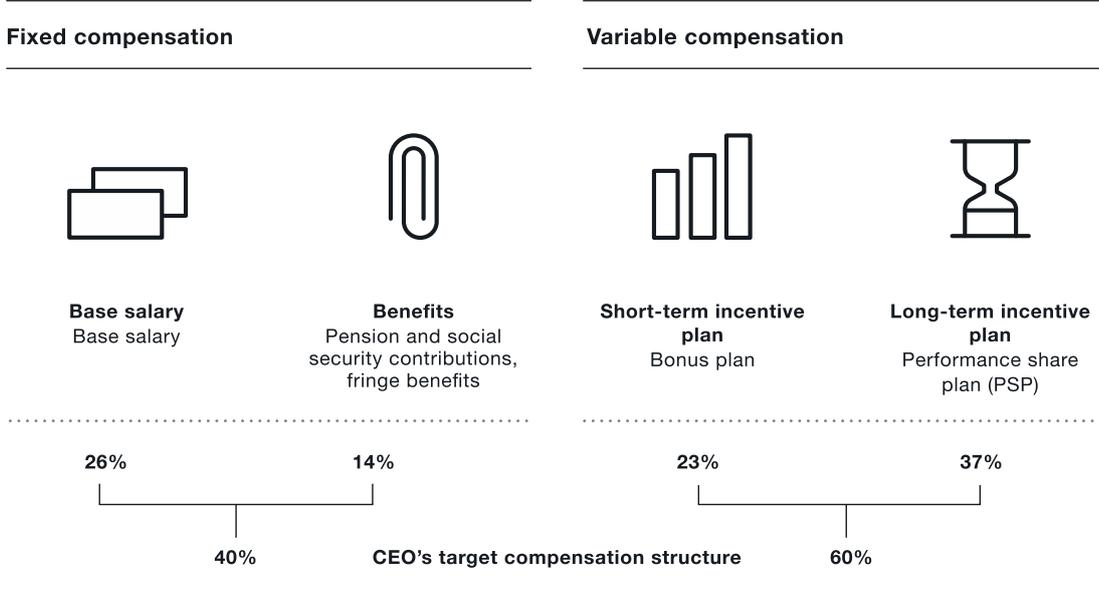
The compensation of the Executive Committee is governed by internal regulations such as the total reward policy, the bonus plan, the performance share plan and benefits plans. The compensation of the Executive Committee is reviewed by the NRC annually and, if necessary, adjusted and approved by decision of the Board of Directors based on a proposal by the NRC. The compensation of the Executive Committee is summarized as follows:

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2021)	Share ownership guidelines (SOG)
Main parameters	Function, level of role, profile of incumbent (skill set, experience)	Pension and social security contributions, fringe benefits	Achievement of annual financial and individual objectives	Achievement of long-term, company-wide objectives, share price development	Level of role
Key drivers	Labor market, internal job-grading	Protection against risks, labor market, internal job-grading	Operational profit, sales, operational operating net cash flow (operational ONCF)	Operational profit growth, operational return on average capital employed adjusted (operational ROCEA), relative total shareholder return (TSR)	Share price development
Link to compensation principles	Competitive compensation	Competitive compensation	Pay for performance, strategy alignment	Pay for performance, strategy alignment, ownership	Ownership
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSU) settled in shares	Obligation to privately invest in Sulzer shares and to hold these shares until the end of the service period
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee. Clawback provisions implemented.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1'440'000 for the CEO and between CHF 330'000 and CHF 400'000 for the other members of the Executive Committee (EC). Vesting payout percentage is capped at 250% and vesting value is capped at CHF 3'600'000 for the CEO and at CHF 825'000 for the other members of the EC. Malus and clawback provisions implemented.	CEO: 200% of base salary. Other members of the Executive Committee: 100% of base salary.
Grant/vesting/payment date	Monthly	Monthly and/or annually	March of the following year	Grant: April 1, 2021 Vesting: December 31, 2023 Share delivery: March 2024	–
Performance period	–	–	1 year (January 1, 2021–December 31, 2021)	3 years (January 1, 2021–December 31, 2023)	–

The compensation of the Executive Committee contains fixed, performance-independent elements to provide a secure income and to ensure that no unreasonable risks are taken. In order to create reasonable incentives for the Executive Committee, align the interests of the Executive Committee and shareholders, ensure pay for performance and implement the company's strategy in the Executive Committee's compensation, it contains also short- and long-term performance-dependent elements:

Overview of compensation elements



In line with the pay-for-performance principle, a significant portion (over 59%) of the compensation of the CEO and the other members of the Executive Committee consists of variable incentives based on performance. Furthermore, the compensation structure ensures sustainable long-term growth as the long-term variable compensation makes up the largest portion of the target total compensation (see “Overview of compensation elements”).

Base salary (fixed, in cash)

The base salary is determined at the discretion of the Board of Directors based on the market value of the respective position and the incumbent’s qualifications, skillset and experience. An internal job-grading methodology provides orientation and fosters internal equity.

Benefits

Members of the Executive Committee participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan that covers annual earnings up to CHF 149’125 per year and a supplementary plan in which income over this limit, up to the ceiling set by law, is insured (including variable cash remuneration). The contributions are age related and are shared between the employer and the employee.

Furthermore, each member of the Executive Committee is entitled to a representation allowance in line with the expense regulations for all members of management in Switzerland and approved by the tax authorities.

Bonus (variable, performance-based, cash remuneration)

The bonus rewards the financial performance of the company and/or its businesses, as well as the achievement of individual performance objectives over one calendar year. Performance objectives are defined at the beginning of the year during annual target setting. Achievement is assessed against each of those objectives after year-end and directly influences the variable incentive payouts.

Performance appraisal

→ Target setting	→ Performance assessment	→ Compensation determination
Definition of two to four individual performance objectives at the beginning of the year	Performance assessment at year-end	Determination of incentive payouts on the basis of the company's/division's performance and achievement of individual objectives

The target bonus is expressed as a percentage of annual base salary. It amounts to 90% for the CEO and to 60% for the other members of the Executive Committee. For the CEO and the other members of the Executive Committee, 70% of the bonus is based on the achievement of financial objectives at company and/or division level, and 30% is based on the achievement of individual objectives as described below:

Category	Weight	Objectives	Rationale		CEO/CFO/ CHRO	Division President
Financial performance	70%	Operational profitability	Measure of profitability (bottom line)	Sulzer	25%	7.5%
				Division		17.5%
		Sales	Measure of growth (top line)	Sulzer	25%	7.5%
				Division		17.5%
		Operational operating net cash flow (operational ONCF)	Measure of cash generated by the revenues	Sulzer	20%	6%
				Division		14%
		Cost-effectiveness	Objectives linked to cost reduction or optimization	Individual	15%	15%
		Growth initiatives	Include initiatives that support the growth of Sulzer, such as M&A projects, breaking into new markets or new accounts	Individual	5%	5%
Faster and better	Initiatives focused on the profitability of Sulzer, with objectives linked to speed ("faster") and quality ("better")	Individual	5%	5%		
Individual performance	30%	ESG	Objectives linked to improvements in the areas of environment, employee engagement and local communities and corporate governance	Individual	5%	5%
				Total	100%	100%

The objectives are set within the annual target-setting process. For each financial objective, the following parameters are set upfront:

- An expected level of performance ("target"), the achievement of which leads to a payout factor (on the respective performance metric) of 100%.
- A minimum level of performance ("threshold") below which the respective payout factor is zero.
- A maximum level of performance ("cap") above which the respective payout factor is capped at 200%. With respect to the financial objectives, a performance of 200% of the target figure is required to achieve a payout factor of 200%.

Between threshold and target, as well as between target and cap, the payout factor is interpolated linearly.

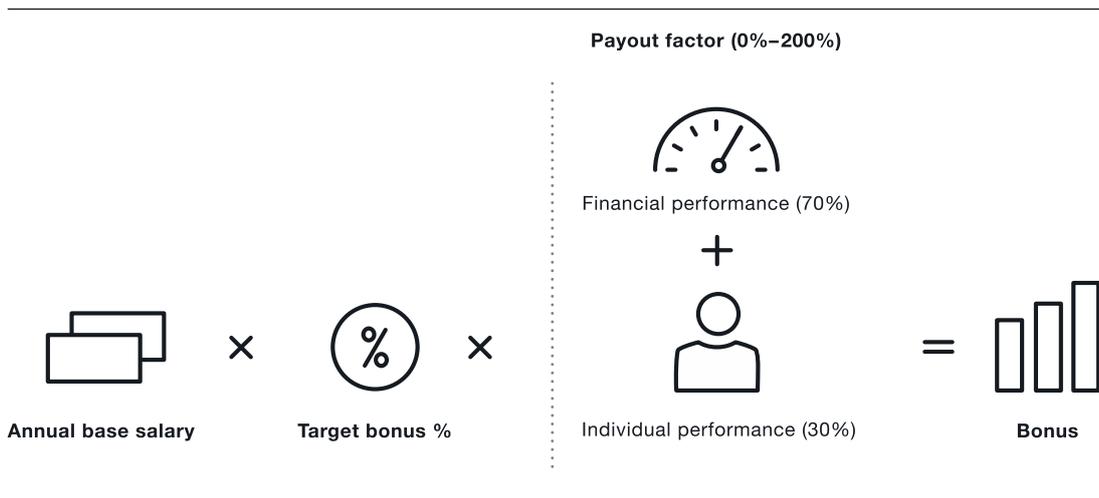
For information on the adjustments made to the key performance criteria due to the medmix spin-off, please refer to the section "[Special report – medmix spin-off](#)". In order to measure individual

performance, each Executive Committee member is given different personal objectives for each of the four individual performance categories (“Cost-effectiveness,” “Growth initiatives,” “Faster and better”, and “ESG”) at the beginning of the financial year. “Cost-effectiveness”, for example, includes objectives like cost-saving (travel spend reduction, real estate costs reduction, etc.) whereas objectives for the category “Faster and better” are, among others, on-time delivery percentage improvement, employee engagement progression (measured through external opinion surveys) or health and safety accident frequency rates (AFR) reduction. “Growth initiatives” include, for example, successful completion of M&A actions or sales growth in specific countries. “ESG” includes improvements in health and safety, emissions, water and energy efficiency or initiatives and actions taken to increase employee and community engagement or efforts in R&D for more efficient or sustainable products such as eco-packaging, biopolymers or energy-efficient pumps. The CEO reviews the individual performance based on the personal objectives of each Executive Committee member, which in turn is reviewed by the NRC. The CEO’s individual performance is assessed by the NRC.

Sulzer strives for transparency in relation to pay for performance. However, further disclosure of financial and individual objectives may create a competitive disadvantage to the company, because it renders sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each financial objective as well as the aggregated individual performance at the end of the performance cycle (see chapter “[Compensation of the Executive Committee for 2021](#)”).

On the basis of this performance assessment, a payout factor is determined for each financial objective as a result of the actual performance. The weighted average of the resulting payout factors on each performance metric will be multiplied by the target bonus amount to derive the actual bonus, which will be paid out in March of the following year.

Bonus calculation



The objectives for the bonus plan are linked to Sulzer’s strategic goal of promoting the sustainable and profitable growth of the company. They are chosen to provide different incentives for growth and shareholder value creation.

Strategic link of bonus plan

	Growth	Profitability	Long-term shareholder value creation
Bonus plan	✓	✓	✓
Operational profit		✓	
Sales	✓		
Operational ONCF			✓
Cost-effectiveness		✓	
Growth initiatives	✓		✓
Faster and better		✓	
ESG	✓	✓	✓

Performance share plan (variable, performance-based, share-based remuneration)

The long-term shareholder orientation and value creation is incentivized by a performance share plan (PSP) granting performance share units (PSUs) to the members of the Executive Committee. PSUs are a conditional right to a certain number of shares of the company, subject to ongoing employment and to the achievement of strategic/financial performance targets on group level over the three-year performance period. The PSP is based on the performance of the company over three years and aligns the interests of the participants with those of the shareholders by delivering a substantial portion of the compensation as company equity. This emphasizes and supports Sulzer's focus on pay for performance and sustainable growth, with a long-term perspective and additional retention effect on employees.

The PSP is a plan with annual grants and is available exclusively to the members of the Executive Committee and of the Sulzer Management Group. The grant value is determined based on the level of the executive's role and amounts to CHF 1'440'000 for the CEO and to between CHF 330'000 and CHF 400'000 (determined by the Board of Directors) for the other members of the Executive Committee. The number of PSUs granted is calculated by dividing the grant value by the three-month volume-weighted average share price before the grant date.

The key performance criteria being measured over the three-year performance period of PSU are:

- Operating income before restructuring, amortization, impairments and non-operational items (operational profit) growth, weighted with 25%.
- Average operational return on capital employed (operational ROCEA), weighted with 25%.
- Relative total shareholder return (TSR) weighted with 50% and measured, other than in previous tranches, only based on the performance against international peers measured as percentile ranking
- With respect to the adjustments made to the key performance criteria due to the medmix spin-off please refer to the section "[Special report – medmix spin-off](#)".

Peer group for relative TSR performance of PSP 2021

International peers

- Andritz
- Burckhardt Compression
- Ebara
- Flowserve
- ITT
- OC Oerlikon
- Pentair
- Wood Group
- Xylem

The Board of Directors can alter the composition of the peer group if deemed necessary, such as in the case of a merger or acquisition or any other change leading to a delisting or a fundamental change in the scope of the business of a peer group company. In such a situation, the Board will select new peer companies. There is a predefined successor list of companies to support the Board of Directors in the selection process. On October 28, 2021, SPX Flow, which recently divested its Pump division and now mainly focuses on dairy systems and Kirloskar Brothers, a family-owned Indian pump company have been replaced by OC Oerlikon and Burckhardt Compression, which were the predefined successors.

The Board of Directors deems these metrics to be the most relevant key performance indicators for the sustainable development of the Sulzer group, combining growth, profitability and shareholder return in comparison to the relevant peers.

For each performance condition of the PSP, a threshold, target and cap performance level is determined, which in turn determines the achievement factor. Sulzer strives for transparency in relation to pay for performance and discloses all information whose exposure cannot lead to strategic disadvantages.

Disclosure of internal financial objectives may create a competitive disadvantage for the company because it renders sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each performance criteria at the end of the performance cycle based on the following metric (see chapter “[Compensation of the Executive Committee for 2021](#)”).

Level of performance	Achievement factor
• Below threshold	0%
• Threshold	50%
• Target	100%
• Cap	250%
• Points in between	Linear interpolation

On the vesting date, the number of vested PSUs is calculated by multiplying the initial number of PSUs granted by the weighted average of the achievement factor of each performance condition. For each vested PSU, a Sulzer share will be delivered to the participant.

Number of PSU vested

Number of PSU granted	×	Achievement opEBITA growth (0–250%)x25%	+	Achievement average opROCEA (0–250%)x25%	+	Achievement relative TSR (0–250%)x50%	=	Number of PSU vested
<p>Number of PSU granted Grant values are defined based on the level of the role:</p> <ul style="list-style-type: none"> • CEO: CHF 1'440'000 • EC: CHF 330'000 to CHF 400'000 		<p>Factor based on operational EBITA growth Operational EBITA growth is the percentage change between opEBITA in the last fiscal year before the start of the performance period and opEBITA in the last fiscal year of the performance period.</p>		<p>Factor based on average opROCEA Average opROCEA is the sum of adjusted opROCE based on audited figures in each fiscal year of the performance period, divided by the number of such years.</p>		<p>Factor based on relative TSR Relative TSR is defined as share price growth plus dividends during the vesting period divided by the ending share price, measured against peers.</p>		<p>Number of PSU vested The maximum vesting value is capped at a multiple of the value at grant:</p> <ul style="list-style-type: none"> • CEO: CHF 3'600'000 • EC: CHF 825'000 to CHF 1'000'000

However, while the above-mentioned performance assessment impacts the number of PSUs vested and, consequently, the number of shares delivered, there might also be an increase in value per share over the three-year performance period, which may have a relevant impact on the actually delivered total value after three years. Therefore, the number of vested PSUs is subject to an absolute value cap representing, in each case, 2.5 times the original grant value.

The objectives for the PSP are linked to Sulzer’s strategic goal of promoting the sustainable and profitable growth of the company. They are chosen to provide different incentives for growth and shareholder value creation.

Strategic link of PSP

	Growth	Profitability	Long-term shareholder value creation
PSP	✓	✓	✓
Operational profit growth	✓	✓	✓
Operational ROCEA		✓	
Relative TSR	✓	✓	✓

In case of termination of employment, the following provisions apply:

Type of termination	Provision
By the employer for cause	Unvested PSUs forfeit.
As a result of retirement	Vesting and performance measurement of PSUs continues according to plan, no early allocation of the shares.
Any other reason	The number of unvested PSUs vest on a pro rata basis (number of months between grant date and termination date) according to the achievement factor at the end of the vesting period. There is no early allocation of the shares.

Upon the occurrence of a change of control, PSU will vest immediately on a pro rata basis, subject to a performance assessment by the Board of Directors. In such a case, the Board of Directors may also determine a cash settlement of the awards.

Malus and clawback

The Board of Directors may determine that a PSU is forfeited in full or in part (malus) or that a vested award will be recovered in full or in part (clawback) in situations of material misstatement of the financial results, an error in assessing a performance condition or in the information or assumptions on which the award was granted or vested, serious reputational damage to the company, gross

negligence, or willful misconduct on the part of the participant. In 2021, the clawback clause was extended to cover bonuses, whereby Sulzer may recover in full or in part any relevant bonus compensation from Executive Committee members in situations of material misstatement of the financial results, an error in assessing a performance condition or gross misconduct of the participant.

Further information on share-based compensation can be found in [note 31](#) to the “consolidated Financial Statements of Sulzer Ltd”.

Contracts of employment

The employment contracts of the Executive Committee are of undetermined duration and have a notice period of maximum 12 months. Members of the Executive Committee are not entitled to any impermissible severance or change of control payments. The employment contracts of the Executive Committee may include non-competition agreements with a time limit of one year and with a maximum total compensation of one annual target compensation.

Shareholding requirements

Beginning 2020, shareholding requirements for members of the Executive Committee were introduced. According to these share ownership guidelines (SOG) the members of the Executive Committee are obliged to hold part of their shares until the end of their service period. The value of the shares to be held is set at 200% of the annual gross base salary for the CEO and 100% of the annual gross base salary for the other members of the Executive Committee.

Function	Shareholding requirement in % of base salary
CEO	200%
Other Executive Committee members	100%

Compensation of the Executive Committee for 2021

Compensation of the Executive Committee: overview

In 2021, the Executive Committee received total compensation in the amount of kCHF 14'609 (previous year: kCHF 14'647). Of this total, kCHF 8'027 was in cash (previous year: kCHF 7'298); kCHF 4'486 was in PSU (previous year: kCHF 5'238); kCHF 1'938 was in pension and social security contributions (previous year: kCHF 1'965), and kCHF 158 was in other payments (previous year: kCHF 147).

Compensation of the Executive Committee

	2021						
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	Base salary	Bonus ²⁾	Other ³⁾	Pension and social security contributions ⁴⁾	Total cash-based compensation	Estimated value of share-based grant under the performance share plan (PSP) ⁵⁾	Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1'021	1'500	87	461	3'069	1'779	4'849
Total Executive Committee ¹⁾	3'931	4'096	158	1'938	10'123	4'486	14'609

	2020						
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	Base salary	Bonus ²⁾	Other ³⁾	Pension and social security contributions ⁴⁾	Total cash-based compensation	Estimated value of share-based grant under the performance share plan (PSP) ⁵⁾	Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1'021	1'141	82	491	2'735	2'601	5'335
Total Executive Committee ¹⁾	4'071	3'227	147	1'965	9'409	5'238	14'647

1) The total Executive Committee compensation for 2021 and 2020 includes the compensation of Greg Poux-Guillaume, CEO since December 2015; Jill Lee, CFO since April 2018; Daniel Bischofberger, Division President Services since September 2016; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Frederic Lalanne, Division President Flow Equipment since January 2019; Girts Cimermans, Division President Applicator Systems since October 21, 2019 until September 19, 2021.

2) Expected bonus for the performance years 2021 and 2020 respectively, to be paid out in the following year (accrual principle).

3) Other consists of housing allowances, schooling allowances, tax services and child allowances.

4) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2021 and 2020, respectively (PSP).

5) Represents the full fair value of the PSUs granted under the PSP in 2021 and 2020, respectively. PSUs granted in 2021 had a fair value of CHF 124.95 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSUs is based on the three-month weighted average share price before the grant date (CHF 101.12 per PSU for April 2021 grants), the disclosed fair values are calculated on the grant dates by using market value approaches, which typically leads to differences between the original grant value according to the compensation architecture and the disclosed fair market values.

The total compensation of kCHF 14'609 awarded to the members of the Executive Committee for the 2021 financial year is within the maximum aggregate compensation amount of kCHF 19'500 that was approved by the shareholders at the 2020 AGM.

No severance payments to members of the Executive Committee were made during the reporting year.

As of December 31, 2020, and December 31, 2021, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee.

In 2020 and 2021, no compensation was granted to former members of the Executive Committee or related parties.

Compensation for the Executive Committee: pay-for-performance assessment

In the following, we elaborate further on how the relevant business performance impacted the variable compensation models of our Executive Committee. More detailed information about Sulzer's operational and strategic performance in 2021 can be found in the financial report.

a) Total compensation and pay for performance relation

Total compensation of Executive Committee

Fixed compensation



Base salary
Base salary

27%



Benefits
Pension and social security contributions, fringe benefits

14%

41%

Variable compensation



Short-term incentive plan
Bonus plan

28%



Long-term incentive plan
Performance share plan (PSP)

31%

59%

Total compensation of EC

In 2021, the Executive Committee received total compensation in the amount of kCHF 14'609 (previous year: kCHF 14'647). This was an overall decrease of 0.3% from the previous year. Following the spin-off of medmix, one Executive Committee member left Sulzer to join medmix on September 20, 2021. As a result of this, his compensation at Sulzer in 2021 covered only the period until September 19, 2021, and not the full year as in 2020.

For the entire Executive Committee, the variable component amounted to between 110.2% and 209.0% of the fixed component (base salary, other, pension and social security contributions). This pay-for-performance relation reflects Sulzer's high-performance orientation. Further, it represents the

company's strong emphasis on aligning the interests of the Executive Committee and the shareholders to create long-term shareholder value and profitable growth. On a like-for-like basis (Executive Committee members employed in both 2021 and 2020), the base salaries of the Executive Committee members remained unchanged. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

Excluding the Applicator Systems division, in 2021 Sulzer increased sales strongly by 6.0% in line with its market guidance, and this despite headwinds from supply chain disruptions. Operational profitability reached a record 9.3%, beating pre-pandemic levels, with all three divisions contributing to this outstanding achievement. This year, Sulzer once again generated strong free cash flow, reaching CHF 210 million. The strong positive financial performance is an outcome of the significant progress achieved by Sulzer on its transformation path. Sulzer took early decisive actions to drive cost take-out measures in 2020 in anticipation of softer energy markets, as well as to counter the impacts of the pandemic. In parallel, Sulzer also continued to expand its market activities with increasing focus on sustainable solutions. In January 2021, Sulzer acquired Nordic Water, a leading supplier of water treatment technology. This acquisition has further strengthened its Water business – Sulzer has one of the largest complete portfolios of water pumping and treatment solutions, and Water now represents the biggest single segment in the Flow Equipment division. In the renewables market, Sulzer also advanced further – order intake in Renewables doubled organically from 2020. During the nine months until September 20, 2021, when the Applicator Systems division was spun off as medmix, the division rebounded strongly on sales, profitability and cashflow. The Applicator Systems division made its debut as a standalone listed company, medmix, on the SIX Swiss Exchange on September 30, 2021, creating close to CHF 2 billion in shareholder value.

As a result of the solid overall performance and successful strategic transformation, the financial component of the bonus ranged from 140.3% to 147.4% of targeted payout (on average 144.9%), thanks also to a high level of achievement of individual objectives. The financial performance on group level was as follows:

KPI	Weighting	Payout factor
Operational profitability	25%	107%
Sales	25%	146%
Operational ONCF	20%	200% ¹⁾
Total	70%	147%

1) Actual operational ONCF overachieved in 2022, therefore the maximum payout factor was capped at 200%.

The individual performance ranged from 90% to 200% to consider the exceptional team performance.

In aggregate, the financial and individual performance translated into an overall bonus payout factor ranging from 127% to 163% (on average 150%) for the members of the Executive Committee.

c) Long-term incentive (PSP)

We are convinced that the conditional awards to receive Sulzer shares, subject to operational return on capital employed (operational ROCEA), operating income before restructuring, amortization, impairments and non-operational items (operational profit) and total shareholder return (TSR) performance, as well as ongoing employment through the three-year vesting period:

- constitutes a very attractive element of variable long-term remuneration for our key management;
- supports and underlines the company's focus on excellent, sustainable performance;
- and provides for a strong alignment of interests with shareholders — also in the longer term.

The PSP framework (apart from the specific performance targets for each grant cycle), eligibility and grant entitlement remained unchanged in 2021 compared to previous years. The relevant key performance indicators (KPIs) were growth in operating income before restructuring, amortization, impairments and non-operational items (operational profit growth), operational return on capital employed (operational ROCEA) and relative total shareholder return (TSR) over the three-year measurement period from 2019 to 2021.

Over this three-year period, operational profit adjusted for foreign exchange and M&A impacts grew by 34% even as we had to navigate unexpected and challenging impacts from COVID-19 in 2020 and 2021. Compared to the PSP target set by the Board, this resulted in an achievement factor of 232%.

Operational ROCEA improved significantly on the back of solid cash flow generation and strong profitability for the past three years, thanks to our determined drive for operational excellence, rigorous focus on networking capital management, strict management of capital expenditures and efforts to optimize our footprint. For the maximum 250% target achievement of operational ROCEA, the Board had set a target for Sulzer to improve by 200bps over the course of the PSP 2019 measurement period. An actual achievement of 223% was realized.

Together with a relative TSR achievement factor of 142%, which compared Sulzer's share price development against international peers as well as against the SMIM over the PSP 2019 measurement period, the resultant total payout factor is 185% for the PSP 2019.

The payout factor results and respective weighting are as follows:

KPI	Weighting	Payout factor
Operational profit	25%	232%
Operational ROCEA	25%	223%
Relative TSR	50%	142%
Total	100%	185%

Overall, the PSP vesting levels fairly reflected the operational performance, also against direct peers, over the respective three-year performance cycles. Therefore, Sulzer fully achieved the desired strong link between sustainable company performance and competitive long-term incentive payouts.

Shareholdings of the Executive Committee

As of the end of 2020 and 2021, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2021

	2021				
	Sulzer shares	Share units under vesting in equity plans (RSU and PSP)			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2019	Performance share units (PSU) 2020	Performance share units (PSU) 2021
Executive Committee	77'941	–	81'932	94'735	49'936
Greg Poux-Guillaume	43'000	–	35'746	50'900	21'789
Daniel Bischofberger	9'720	–	9'932	9'427	6'053
Frederic Lalanne	6'797	–	9'932	9'427	6'053
Jill Lee	5'084	–	9'932	9'427	6'053
Armand Sohet	2'728	–	8'195	7'777	4'994
Torsten Wintergerste	10'612	–	8'195	7'777	4'994

Shareholdings at December 31, 2020

	2020				
	Sulzer shares	Share units under vesting in equity plans (RSU and PSP)			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2018	Performance share units (PSU) 2019	Performance share units (PSU) 2020
Executive Committee	92'944	–	28'133	54'251	66'999
Greg Poux-Guillaume	58'062	–	12'820	23'363	33'267
Daniel Bischofberger	6'233	–	2'938	6'491	6'161
Girts Cimermans	-	–	-	705	5'083
Frederic Lalanne	6'955	–	2'938	6'491	6'161
Jill Lee	7'945	–	3'561	6'491	6'161
Armand Sohet	6'624	–	2'938	5'355	5'083
Torsten Wintergerste	7'125	–	2'938	5'355	5'083

Compensation architecture for the Board of Directors

The compensation of the Board of Directors is fixed and does not contain any performance-based variable component. This ensures that the Board of Directors is truly independent in fulfilling its supervisory duties towards the Executive Committee.

The compensation of the Board of Directors is governed by a compensation regulation, is reviewed by the Nomination and Remuneration Committee (NRC) annually and, if necessary, adjusted by a decision of the full Board of Directors based on a proposal by the NRC.

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. Each RSU represents a right to receive a Sulzer share free of charge after a certain period, as further detailed below. Further, Board members are entitled to a lump sum to cover business expenses. The RSU component strengthens the long-term alignment of the interests of the Board members with those of the shareholders. To reinforce the focus of the Board of Directors on the long-term strategy and to strengthen its independence from the Executive Committee, the compensation of the Board of Directors contains no performance-related elements and Board members are not entitled to pension benefits.

The amount of compensation for the Chairman and for the other members of the Board of Directors is determined based on the relevant compensation benchmarks. The compensation reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them, and the expected time required to fulfill their duties. The ongoing Board compensation structure and amounts are described in the table below:

Annual compensation of the Board of Directors¹⁾

in CHF	Cash component (net of social security contributions)	Grant value of RSUs (net of social security contributions)	Lump-sum expenses
Base fee for Board Chairmanship ²⁾	420'000	250'000	10'000
Base fee for Board Vice Chairmanship	100'000	155'000	5'000
Base fee for Board membership	70'000	125'000	5'000
Additional committee fees:			
Committee Chairmanship	60'000		
Committee membership	35'000		

1) Compensation for the period of service (from AGM to AGM).

2) The Chairman of the Board of Directors does not receive additional remuneration for committee activities.

The members of the Board of Directors are remunerated for their service during their term of office (from AGM to AGM). The cash remuneration is paid in quarterly installments for Board members and monthly installments for the Chairman; the expense lump sum is paid out in December and the RSUs are granted once a year. The number of RSUs is determined by dividing the fixed grant value by the volume-weighted average share price of the last ten trading days before the grant date, which lies between the date of the publication of the annual results and the AGM. One-third of the RSUs vest after the first, second and third anniversaries of the grant date respectively.

Upon vesting, one vested RSU is converted into one share in the company. The vesting period for RSUs granted to the members of the Board of Directors ends no later than on the date on which the member steps down from the Board. Although the value of the RSU grant is fixed (at grant), it then fluctuates with the share price during the vesting period, which means that the value at vesting can differ from the value at grant.

Compensation of the Board of Directors for 2021

Compensation of the Board of Directors: overview

In 2021, the Board of Directors received total compensation in the amount of kCHF 2'862 (previous year: kCHF 2'808). Of this total, kCHF 1'444 was in the form of cash fees (previous year: kCHF 1'396); kCHF 1'155 was in RSUs (previous year: kCHF 1'155) and kCHF 263 was in the form of social security contributions (previous year: kCHF 257).

The total Board compensation paid in 2021 was 1.9% higher than in 2020, which is due to the appointment of Suzanne Thoma as Vice Chairwoman of the Board and David Metzger as a new member of the Board in 2021. Nevertheless, the aggregated Board compensation was still below the maximum aggregate compensation for the Board, which was approved at the AGM 2020. The structure and level of the Board compensation remained unchanged compared with the previous year.

The portion of compensation delivered in RSUs amounts to 56% of the cash compensation for the Chairman, and to between 71% and 149% for the other active members of the Board of Directors. The RSUs are subject to a staged three-year vesting period.

Compensation of the Board of Directors

				2021
thousands of CHF	Cash fees ³⁾	Restricted share unit (RSUs) plan ⁴⁾	Social security contributions ⁵⁾	Total
Board of Directors	1'444	1'155	263	2'862
Peter Löscher, Chairman	447	250	66	763
Suzanne Thoma, Vice Chairwoman ¹⁾	136	155	32	323
Matthias Bichsel	138	125	24	286
Lukas Braunschweiler ²⁾	28	-	3	31
Mikhail Lifshitz	112	125	27	264
David Metzger ¹⁾	84	125	25	234
Alexey Moskov	112	125	27	264
Marco Musetti ²⁾	37	-	4	41
Gerhard Roiss	173	125	26	324
Hanne Birgitte Breinbjerg Sørensen	176	125	31	332

				2020
thousands of CHF	Cash fees ²⁾	Restricted share unit (RSUs) plan	Social security contributions ⁴⁾	Total
Board of Directors	1'396	1'155	257	2'808
Peter Löscher, Chairman	447	250	66	763
Matthias Bichsel, Vice Chairman	142	155	27	324
Lukas Braunschweiler	112	125	26	264
Mikhail Lifshitz	112	125	26	264
Alexey Moskov	84	125	25	234
Marco Musetti	150	125	29	304
Gerhard Roiss	173	125	26	324
Hanne Birgitte Breinbjerg Sørensen	176	125	31	332

1) Member of the Board of Directors since April 14, 2021.

2) Member of the Board of Directors until April 14, 2021

3) Disclosed gross.

4) RSU awards granted in 2021 had a fair value of CHF 106.3229 at grant date. The amount represents the full fair value of grants made in 2021.

5) The amount includes mandatory social security contributions on the cash fees and estimated contributions on the RSU (based on their fair value at grant) and includes both the employer and employee contributions paid by the company on behalf of the Board members.

At the 2021 and 2020 AGMs respectively, shareholders approved a maximum aggregate compensation amount of kCHF 2'984 for the Board of Directors for the period of office from the 2020 AGM until the 2021 AGM and of kCHF 2'984 for the period of office from the 2019 AGM until the 2020 AGM. The table below shows the reconciliation between the compensation that was/will be paid out for the two periods of office and the maximum aggregate compensation amounts approved by the shareholders.

Reconciliation between the reported Board compensation and the amount approved by the shareholders at the Annual General Meeting

thousands of CHF	Compensation earned during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2021–AGM 2022	2021	Jan 1, 2021 to 2021 AGM	Jan 1, 2022 to 2022 AGM	2021 AGM to 2022 AGM	2021 AGM	2021 AGM
Board (total)	2'862	386	393	2'869	2'984	96.2%
AGM 2020–AGM 2021	2020	Jan 1, 2020 to 2020 AGM	Jan 1, 2021 to 2021 AGM	2020 AGM to 2021 AGM	2020 AGM	2020 AGM
Board (total)	2'808	355	391	2'844	2'984	95.3%

As of December 31, 2020, and December 31, 2021, there were no outstanding loans or credits granted to the members of the Board of Directors, former members of the Board of Directors or related parties.

In 2020 and 2021, no compensation was granted to former members of the Board of Directors or related parties.

Shareholdings of the Board of Directors

As of the end of 2020 and 2021, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2021

	2021		
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	55'307	34'874	90'181
Peter Löscher	22'238	8'818	31'056
Suzanne Thoma	–	2'232	2'232
Matthias Bichsel	9'976	5'038	15'014
Mikhail Lifshitz	6'182	4'410	10'592
David Metzger	–	1'800	1'800
Alexey Moskov	639	3'756	4'395
Gerhard Roiss	14'413	4'410	18'823
Hanne Birgitte Breinbjerg Sørensen	1'859	4'410	6'269

Shareholdings at December 31, 2020

	2020		
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	56'020	27'510	83'530
Peter Löscher	19'437	6'210	25'647
Matthias Bichsel	8'238	3'853	12'091
Lukas Braunschweiler	1'097	3'106	4'203
Mikhail Lifshitz	4'781	3'106	7'887
Alexey Moskov	–	1'917	1'917
Marco Musetti	8'639	3'106	11'745
Gerhard Roiss	13'012	3'106	16'118
Hanne Birgitte Breinbjerg Sørensen	816	3'106	3'922



Report of the Statutory Auditor

To the General Meeting of Sulzer Ltd, Winterthur

We have audited the compensation report of Sulzer Ltd for the year ended December 31, 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections “[Compensation of the Executive Committee: overview](#)” and “[Compensation of the Board of Directors: overview](#)”.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2021 of Sulzer Ltd complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 17, 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich
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Financial reporting

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Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2021	2020 ¹⁾
Continuing operations			
Sales	3, 20	3'155.3	2'967.8
Cost of goods sold		-2'208.4	-2'095.3
Gross profit from continuing operations		946.9	872.4
Selling and distribution expenses		-320.1	-305.8
General and administrative expenses		-358.8	-340.5
Research and development expenses	10	-64.4	-63.8
Other operating income / (expenses), net	11	18.1	-29.8
Operating income (EBIT) from continuing operations		221.8	132.5
Interest and securities income	12	10.4	10.5
Interest expenses	12	-25.7	-24.0
Other financial income / (expenses), net	12	-6.4	-6.9
Share of gains / (losses) of associates	17	-2.2	-0.7
Income before income tax expenses from continuing operations		197.9	111.3
Income tax expenses	13	-57.2	-39.8
Net income from continuing operations		140.7	71.5
Net income from discontinued operations, net of tax	7	1'278.3	15.6
Net income		1'418.9	87.2
- thereof attributable to shareholders of Sulzer Ltd		1'416.7	83.6
- thereof attributable to non-controlling interests		2.2	3.6
Earnings per share (in CHF)			
Basic earnings per share	25	41.93	2.46
Diluted earnings per share	25	41.28	2.44
Earnings per share from continuing operations (in CHF)			
Basic earnings per share from continuing operations	25	4.10	2.00
Diluted earnings per share from continuing operations	25	4.03	1.98

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2021	2020
Net income		1'418.9	87.2
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	29	-2.5	10.1
Currency translation differences		2.4	-133.5
Total of items that may be reclassified subsequently to the income statement		-0.1	-123.4
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit plans, net of tax	9	88.7	8.0
Equity investments at FVOCI – net change in fair value	18	0.6	-
Total of items that will not be reclassified to the income statement		89.3	8.0
Total other comprehensive income		89.2	-115.4
Total comprehensive income for the period		1'508.1	-28.2
- thereof attributable to shareholders of Sulzer Ltd		1'505.8	-30.5
- thereof attributable to non-controlling interests		2.3	2.3

Consolidated balance sheet

December 31

millions of CHF	Notes	2021	2020 ¹⁾
Non-current assets			
Goodwill	14	727.3	946.0
Other intangible assets	14	276.5	401.0
Property, plant and equipment	15	394.0	545.3
Lease assets	16	89.2	121.2
Associates	17	25.5	21.2
Other non-current financial assets	18	18.0	10.6
Defined benefit assets	9	134.3	75.7
Non-current receivables		5.3	4.3
Deferred income tax assets	13	164.2	154.5
Total non-current assets		1'834.2	2'279.9
Current assets			
Inventories	19	475.6	515.1
Current income tax receivables		26.7	33.4
Advance payments to suppliers		64.7	59.9
Contract assets	20	409.3	324.9
Trade accounts receivable	21	549.2	599.1
Other current receivables and prepaid expenses	22	118.7	126.5
Current financial assets	18	26.7	305.1
Cash and cash equivalents	23	1'505.4	1'123.2
Total current assets		3'176.2	3'087.1
Total assets		5'010.4	5'367.0
Equity			
Share capital		0.3	0.3
Reserves		1'273.5	1'404.0
Equity attributable to shareholders of Sulzer Ltd		1'273.8	1'404.3
Non-controlling interests		5.5	12.9
Total equity	24	1'279.3	1'417.2
Non-current liabilities			
Non-current borrowings	26	1'164.6	1'491.3
Non-current lease liabilities	16	64.5	90.2
Deferred income tax liabilities	13	84.1	88.5
Non-current income tax liabilities	13	2.2	4.8
Defined benefit obligations	9	180.0	227.4
Non-current provisions	27	68.0	65.8
Other non-current liabilities		5.4	8.0
Total non-current liabilities		1'568.8	1'976.0
Current liabilities			
Current borrowings	26	345.5	231.8
Current lease liabilities	16	24.3	29.5
Current income tax liabilities	13	40.2	38.7
Current provisions	27	167.8	183.5
Contract liabilities	20	324.5	300.5
Trade accounts payable		431.8	465.8
Other current and accrued liabilities	28	828.1	724.1
Total current liabilities		2'162.3	1'973.8
Total liabilities		3'731.1	3'949.8
Total equity and liabilities		5'010.4	5'367.0

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4. Defined benefit assets are presented as non-current assets and comparative information is represented. Further details are available in note 9.

Consolidated statement of changes in equity

January 1 – December 31

millions of CHF	Notes	Attributable to shareholders of Sulzer Ltd					Total	Non-controlling interests	Total equity
		Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment			
Equity as of January 1, 2020		0.3	2'125.4	-25.6	-4.3	-515.1	1'580.7	13.1	1'593.9
Comprehensive income for the period:									
Net income			83.6				83.6	3.6	87.2
– Cash flow hedges, net of tax	29	–	–	–	10.1	–	10.1	–	10.1
– Remeasurements of defined benefit plans, net of tax	9	–	8.0	–	–	–	8.0	–	8.0
– Currency translation differences		–	–	–	–	-132.3	-132.3	-1.2	-133.5
Other comprehensive income		–	8.0	–	10.1	-132.3	-114.1	-1.2	-115.4
Total comprehensive income for the period		–	91.6	–	10.1	-132.3	-30.5	2.3	-28.2
Transactions with owners of the company:									
Allocation of treasury shares to share plan participants		–	-10.4	10.4	–	–	–	–	–
Purchase of treasury shares	24	–	–	-23.1	–	–	-23.1	–	-23.1
Share-based payments		–	13.2	–	–	–	13.2	–	13.2
Dividends	24	–	-136.1	–	–	–	-136.1	-2.6	-138.7
Equity as of December 31, 2020	24	0.3	2'083.8	-38.3	5.9	-647.4	1'404.3	12.9	1'417.2
Equity as of January 1, 2021		0.3	2'083.8	-38.3	5.9	-647.4	1'404.3	12.9	1'417.2
Comprehensive income for the period:									
Net income			1'416.7				1'416.7	2.2	1'418.9
– Cash flow hedges, net of tax	29	–	–	–	-2.5	–	-2.5	–	-2.5
– Remeasurements of defined benefit plans, net of tax	9	–	88.7	–	–	–	88.7	–	88.7
– Equity investments at FVOCI – net change in fair value	18	–	0.6	–	–	–	0.6	–	0.6
– Currency translation differences		–	–	–	–	2.3	2.3	0.1	2.4
Other comprehensive income		–	89.3	–	-2.5	2.3	89.1	0.1	89.2
Total comprehensive income for the period		–	1'506.0	–	-2.5	2.3	1'505.8	2.3	1'508.1
Transactions with owners of the company:									
Acquisition of non-controlling interests without a change of control	4	–	-10.6	–	–	-1.4	-11.9	-5.4	-17.3
Derecognition of non-controlling interests		–	–	–	–	–	–	-2.1	-2.1
Spin-off Applicator Systems division	7	–	-1'485.6	–	–	–	-1'485.6	–	-1'485.6
Transaction costs	24	–	-3.4	–	–	–	-3.4	–	-3.4
Allocation of treasury shares to share plan participants		–	-9.1	9.1	–	–	–	–	–
Purchase of treasury shares	24	–	–	-21.8	–	–	-21.8	–	-21.8
Share-based payments	31	–	21.9	–	–	–	21.9	–	21.9
Dividends	24	–	-135.4	–	–	–	-135.4	-2.1	-137.4
Equity as of December 31, 2021	24	0.3	1'967.7	-51.0	3.3	-646.5	1'273.8	5.5	1'279.3

Consolidated statement of cash flows

January 1 – December 31

millions of CHF	Notes	2021	2020
Cash and cash equivalents as of January 1		1'123.2	1'035.5
Net income		1'418.9	87.2
Gain on net assets derecognized	7	-1'255.1	-
Interest and securities income		-5.3	-4.1
Interest expenses		26.5	25.2
Income tax expenses		74.4	34.6
Depreciation, amortization and impairments	14, 15, 16	173.0	177.5
Income from disposals of tangible and intangible assets		-2.7	-3.0
Changes in inventories		-20.8	29.7
Changes in advance payments to suppliers		-9.5	19.2
Changes in contract assets		-74.1	4.2
Changes in trade accounts receivable		17.1	21.3
Changes in contract liabilities		15.5	-33.8
Changes in trade accounts payable		-28.0	-29.6
Changes in employee benefit plans		-9.7	-4.8
Changes in provisions		-1.4	48.9
Changes in other net current assets		89.3	39.3
Other non-cash items		9.5	42.5
Interest received		5.2	4.2
Interest paid		-23.3	-21.0
Income tax paid		-83.7	-68.8
Total cash flow from operating activities		315.9	368.7
- thereof discontinued operations		49.0	50.6
Purchase of intangible assets	14	-6.9	-7.5
Sale of intangible assets	14	0.2	0.1
Purchase of property, plant and equipment	15	-79.2	-98.0
Sale of property, plant and equipment	15	8.7	8.9
Acquisitions of subsidiaries, net of cash acquired	4	-123.9	-108.2
Divestitures of subsidiaries, net of cash derecognized		-1.2	-
Spin-off Applicator Systems division	7	-85.9	-
Acquisitions of associates	17	-6.9	-6.7
Dividends from associates	17	0.5	0.0
Purchase of other non-current financial assets	18	-6.0	-3.3
Repayments of other non-current financial assets	18	0.3	1.0
Purchase of current financial assets	18	-0.2	-370.4
Repayments of current financial assets	18	732.7	122.3
Total cash flow from investing activities		432.3	-461.8
- thereof discontinued operations		9.7	4.4

Dividends paid to shareholders of Sulzer Ltd	24	-91.9	-92.6
Dividends paid to non-controlling interests in subsidiaries		-2.1	-2.6
Purchase of treasury shares	24	-21.8	-23.1
Payments of lease liabilities	16	-41.1	-39.2
Acquisition of non-controlling interests	4	-17.3	-
Proceeds from non-current borrowings	26	0.0	498.9
Repayments of non-current borrowings	26	-0.0	-0.0
Proceeds from current borrowings	26	54.8	72.2
Repayments of current borrowings	26	-263.1	-177.1
Total cash flow from financing activities		-382.5	236.5
- thereof discontinued operations		9.7	-42.9
Exchange gains / (losses) on cash and cash equivalents		16.5	-55.7
Net change in cash and cash equivalents		382.2	87.7
Cash and cash equivalents as of December 31	23	1'505.4	1'123.2

For the calculation of free cash flow (FCF), reference is made to the section "[Financial review](#)".

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Notes to the consolidated financial statements

1 General information

Sulzer Ltd (the “company”) is a company domiciled in Switzerland. The address of the company’s registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The consolidated financial statements for the year ended December 31, 2021, comprise the company and its subsidiaries (together referred to as the “group” and individually as the “subsidiaries”) and the group’s interest in associates and joint ventures. The group specializes in pumping, agitation, mixing, separation and purification technologies for fluids of all types. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 13’800 people. The company serves clients in over 180 production and service sites around the world. Sulzer Ltd is listed on SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They were authorized for issue by the Board of Directors on February 17, 2022.

Details of the group’s accounting policies are included in [note 34](#).

2 Significant events and transactions during the reporting period

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

- On September 20, 2021, Sulzer Ltd shareholders at their Extraordinary General Meeting approved the 100% spin-off of its Applicator Systems (APS) division (later renamed medmix) through a 1:1 share split, granting Sulzer shareholders one APS share in addition to each Sulzer share held. The spin-off was registered in the commercial registers of the cantons of Zurich and Zug on September 20, 2021, simultaneously with the incorporation of the new company, which was registered with a share capital of 34’262’370 shares (registered shares with a nominal value of CHF 0.01 each). The spin-off became legally effective upon registration in the competent commercial registers, whereas the benefits and risks related to the assets and liabilities were economically transferred with retroactive effect as of January 1, 2021 (see [note 7](#)). The group has therefore separated the financial data for 2021 and prior year into “continuing” and “discontinued” operations. Discontinued operations include the operational results from the Applicator Systems division, certain corporate activities attributable to the Applicator Systems division prior to the spin-off on September 20, 2021 and the gain on net assets derecognized as of September 20, 2021. The shareholder approval to spin off the Applicator Systems division required the recognition of a distribution liability, measured at the fair value of the Applicator Systems division, and represented a deduction of retained earnings.
- Net income from discontinued operations (net of tax) amounted to CHF 1’278.3 million, comprising a net income from discontinued business activities of CHF 23.2 million for the year up to the spin-off date and a gain on net assets derecognized of CHF 1’255.1 million. The gain on net assets derecognized is mainly the difference between the distribution liability of the Applicator Systems division of CHF 1’485.6 million and the division’s net assets of CHF 244.2 million on the spin-off date. In the balance sheet, the equity is increased by the net income from discontinued operations of CHF 1’278.3 million and offset by the derecognition of the spin-off related distribution liability of CHF 1’485.6 million. The details pertaining to the income

statement, segment information and balance sheet of the discontinued operations are presented in [note 7](#).

- On February 1, 2021, the group acquired a 100% controlling interest in Nordic Water Holding AB (Nordic Water) for CHF 129.2 million. The headquarters of Nordic Water is located in Gothenburg, Sweden. Nordic Water employs approximately 200 people and is a pioneering innovation leader and is known for its broad application suite in primary, secondary and tertiary water treatment and its global reach. With the acquisition of Nordic Water, the group will be able to grow its wastewater-treatment business with equipment that complements the existing portfolio of pumps, grinders, mixers, compressors and other products that Sulzer currently provides for the water market. Nordic Water will operate as part of the group's Flow Equipment division. The acquisition resulted in an increase in goodwill of CHF 54.9 million and other intangible assets of CHF 72.3 million at the date of acquisition (see [note 4](#)).
- The group recognized restructuring costs for continuing operations of CHF 11.5 million and for discontinued operations of CHF 0.2 million (2020: CHF 54.8 million for continuing operations and CHF 3.2 million for discontinued operations), partly offset by released restructuring provisions of CHF 2.0 million (2020: CHF 2.2 million). Restructuring costs mainly relate to resizing activities in the USA and the United Kingdom. Associated with restructuring initiatives, the group further recognized impairments on tangible and intangible assets for continuing operations of CHF 4.2 million (2020: CHF 9.4 million) and CHF 0.5 million for discontinued operations (2020: CHF 0.5 million). For more details, refer to [note 7](#), [note 14](#), [note 15](#) and [note 16](#).

For a detailed discussion about the group's performance and financial position, please refer to the section "[Financial review](#)".

3 Segment information

Segment information by divisions

millions of CHF	Flow Equipment		Services		Chemtech	
	2021	2020	2021	2020	2021	2020
Order intake from continuing operations (unaudited) ¹⁾	1'324.7	1'297.6	1'163.4	1'130.8	679.5	620.8
Nominal growth (unaudited)	2.1%	-11.1%	2.9%	-5.2%	9.5%	-7.3%
Currency-adjusted growth (unaudited)	1.8%	-4.1%	2.8%	2.5%	8.8%	-1.1%
Organic growth (unaudited) ²⁾	-3.9%	-2.9%	2.0%	0.6%	8.8%	-6.9%
Order backlog as of December 31 (unaudited)	811.5	845.0	479.5	435.0	433.2	396.9
Sales recognized at a point in time	993.5	839.5	898.8	887.3	377.0	372.6
Sales recognized over time	395.5	456.9	219.0	191.1	271.6	220.5
Sales from continuing operations ³⁾	1'389.0	1'296.3	1'117.7	1'078.3	648.5	593.1
Nominal growth	7.1%	-12.2%	3.7%	-7.6%	9.4%	-10.7%
Currency-adjusted growth (unaudited)	6.9%	-5.7%	3.5%	0.1%	8.4%	-4.8%
Organic growth (unaudited) ²⁾	2.0%	-4.5%	2.7%	-1.1%	8.4%	-9.7%
Operational profit from continuing operations (unaudited)	81.4	55.2	158.7	150.3	64.8	56.9
Operational profitability from continuing operations (unaudited)	5.9%	4.3%	14.2%	13.9%	10.0%	9.6%
Restructuring expenses	-7.5	-34.1	-0.6	-11.3	-1.3	-5.7
Amortization	-38.1	-29.6	-4.9	-9.2	-6.7	-6.8
Impairments on tangible and intangible assets	-0.9	-2.1	-2.8	-1.5	-0.5	-5.3
Non-operational items (unaudited)	0.1	-5.6	-2.3	-1.9	-2.7	-3.2
EBIT from continuing operations	35.1	-16.1	148.2	126.3	53.6	35.9
Depreciation	-33.4	-34.6	-31.5	-28.5	-12.8	-12.2
Operating assets	1'573.9	1'456.4	939.5	893.6	552.8	507.0
Unallocated assets	-	-	-	-	-	-
Total assets as of December 31	1'573.9	1'456.4	939.5	893.6	552.8	507.0
Operating liabilities	745.0	725.1	403.3	354.9	404.0	323.6
Unallocated liabilities	-	-	-	-	-	-
Total liabilities as of December 31	745.0	725.1	403.3	354.9	404.0	323.6
Operating net assets	829.0	731.3	536.2	538.7	148.7	183.5
Unallocated net assets	-	-	-	-	-	-
Total net assets as of December 31	829.0	731.3	536.2	538.7	148.7	183.5
Capital expenditure (incl. lease assets)	-33.9	-34.7	-57.1	-40.9	-20.7	-11.1
Employees (number of full-time equivalents) as of December 31	5'325	5'362	4'571	4'449	3'734	3'221

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

Segment information by divisions

millions of CHF	Total divisions		Others ⁵⁾		Total Sulzer	
	2021	2020 ⁴⁾	2021	2020 ⁴⁾	2021	2020 ⁴⁾
Order intake from continuing operations (unaudited) ¹⁾	3'167.6	3'049.2	–	–	3'167.6	3'049.2
Nominal growth (unaudited)	3.9%	–8.2%	–	–	3.9%	–8.2%
Currency-adjusted growth (unaudited)	3.6%	–1.1%	–	–	3.6%	–1.1%
Organic growth (unaudited) ²⁾	0.9%	–2.5%	–	–	0.9%	–2.5%
Order backlog as of December 31 (unaudited)	1'724.1	1'676.8	–	–	1'724.1	1'676.8
Sales recognized at a point in time	2'269.3	2'099.3	–	–	2'269.3	2'099.3
Sales recognized over time	886.0	868.4	–	–	886.0	868.4
Sales from continuing operations ³⁾	3'155.3	2'967.8	–	–	3'155.3	2'967.8
Nominal growth	6.3%	–10.3%	–	–	6.3%	–10.3%
Currency-adjusted growth (unaudited)	6.0%	–3.5%	–	–	6.0%	–3.5%
Organic growth (unaudited) ²⁾	3.5%	–4.3%	–	–	3.5%	–4.3%
Operational profit from continuing operations (unaudited)	304.9	262.4	–11.6	–7.4	293.3	255.0
Operational profitability from continuing operations (unaudited)	9.7%	8.8%	n/a	n/a	9.3%	8.6%
Restructuring expenses	–9.4	–51.2	–0.0	–1.4	–9.5	–52.6
Amortization	–49.6	–45.6	–0.6	–1.1	–50.2	–46.7
Impairments on tangible and intangible assets	–4.2	–8.9	–	–0.5	–4.2	–9.4
Non-operational items (unaudited)	–4.8	–10.7	–2.9	–3.2	–7.7	–13.8
EBIT from continuing operations	236.9	146.1	–15.0	–13.6	221.8	132.5
Depreciation	–77.7	–75.4	–3.3	–3.0	–81.0	–78.3
Operating assets	3'066.2	2'857.0	180.3	804.4	3'246.5	3'661.4
Unallocated assets	–	–	1'763.9	1'705.6	1'763.9	1'705.6
Total assets as of December 31	3'066.2	2'857.0	1'944.3	2'510.1	5'010.4	5'367.0
Operating liabilities	1'552.3	1'403.5	196.8	267.6	1'749.1	1'671.1
Unallocated liabilities	–	–	1'982.0	2'278.7	1'982.0	2'278.7
Total liabilities as of December 31	1'552.3	1'403.5	2'178.8	2'546.3	3'731.1	3'949.8
Operating net assets	1'513.9	1'453.4	–16.4	536.9	1'497.5	1'990.3
Unallocated net assets	–	–	–218.1	–573.1	–218.1	–573.1
Total net assets as of December 31	1'513.9	1'453.4	–234.6	–36.2	1'279.3	1'417.2
Capital expenditure (incl. lease assets)	–111.7	–86.7	–7.7	–1.3	–119.4	–88.0
Employees (number of full-time equivalents) as of December 31	13'631	13'032	185	165	13'816	13'197

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

4) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

5) The most significant activities under "Others" relate to Corporate Center. Total assets and total liabilities under "Others" include the former Applicator Systems (APS) division for the period 2020.

For the definition of operational profit, operational profitability, currency-adjusted growth and organic growth, reference is made to the section "[Supplementary information](#)" and for the reconciliation statements to the section "[Financial review](#)".

The segment information for the discontinued operations (Applicator Systems division) is disclosed in [note 7](#).

Information about reportable segments

Operating segments are determined based on the reports reviewed by the Chief Executive Officer that are used to measure performance, make strategic decisions and allocate resources to the segments. The business is managed on a divisional basis and the reported segments have been identified as follows:

Flow Equipment

The Flow Equipment division (renamed in 2021 from Pumps Equipment) specializes in pumping solutions specifically engineered for the processes of its customers. The division provides pumps, agitators, compressors, grinders, screens and filters developed through intensive research and development in fluid dynamics and advanced materials. The focus is on pumping solutions for water, oil and gas, power, chemicals and most industrial segments.

Services

The Services division (renamed in 2021 from Rotating Equipment Services) provides cutting-edge parts as well as maintenance and repair solutions for pumps, turbines, compressors, motors and generators, through a network of over 100 service sites around the world. The division services Sulzer original equipment, but also all associated third-party rotating equipment run by the customers, maximizing its sustainability and life-cycle cost-effectiveness. The division's technology-based solutions, fast execution and expertise in complex maintenance projects are available at its customers' doorsteps.

Chemtech

The Chemtech division focuses on innovative mass transfer, static mixing and polymer solutions for chemicals, petrochemicals, refining and LNG. Chemtech also provides ecological solutions such as bio-based chemicals, polymers and fuels, recycling technologies for textiles and plastic as well as carbon capture and utilization/storage, contributing to a circular economy. The division's product offering ranges from process components to complete process plants and technology licensing.

Others

Certain expenses related to the Corporate Center are not attributable to a particular segment and are reviewed as a whole across the group. Also included are the eliminations for operating assets and liabilities.

The Chief Executive Officer primarily uses operational profit to assess the performance of the operating segments. However, the Chief Executive Officer also receives information about the segments' order intake and backlog, sales, and operating assets and liabilities on a monthly basis.

Sales from external customers reported to the Chief Executive Officer are measured in a manner consistent with that in the income statement. There are no significant sales between the segments. No individual customer represents a significant portion of the group's sales.

Operating assets and liabilities are assets or liabilities related to the operating activities of an entity and contributing to the EBIT.

Segment information by region

The allocation of assets is based on their geographical location. Non-current assets exclude other financial assets, deferred tax assets and defined benefit assets. The allocation of sales from external customers is based on the location of the customer.

Non-current assets by region

millions of CHF	2021	2020 ¹⁾
Europe, the Middle East and Africa	941.9	1'440.2
– thereof United Kingdom	203.0	209.9
– thereof Switzerland	201.5	274.8
– thereof Sweden	162.2	187.4
– thereof Finland	109.0	106.8
– thereof the Netherlands	100.8	116.8
Americas	425.9	452.8
– thereof USA	390.3	417.1
Asia-Pacific	144.6	141.8
– thereof China	53.6	54.6
Total	1'512.4	2'034.7

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

Sales by region

millions of CHF	2021			
	Flow Equipment	Services	Chemtech	Total Sulzer
Europe, the Middle East and Africa	671.8	485.6	140.0	1'297.5
– thereof Saudi Arabia	118.7	25.4	15.2	159.3
– thereof Germany	65.6	55.7	26.7	148.0
– thereof United Kingdom	25.7	112.1	5.3	143.1
– thereof Russia	34.2	35.6	15.9	85.6
– thereof France	27.3	30.8	9.1	67.2
Americas	386.0	473.5	118.6	978.1
– thereof USA	236.0	368.3	63.0	667.4
Asia-Pacific	331.1	158.6	390.0	879.7
– thereof China	227.3	30.7	265.8	523.7
Total	1'389.0	1'117.7	648.5	3'155.3

millions of CHF	2020			
	Flow Equipment	Services	Chemtech	Total Sulzer ¹⁾
Europe, the Middle East and Africa	555.7	469.6	172.7	1'198.1
– thereof Saudi Arabia	89.0	26.9	31.2	147.0
– thereof Germany	58.2	49.2	26.3	133.7
– thereof United Kingdom	25.7	107.4	7.9	140.9
– thereof Russia	31.5	50.9	11.7	94.1
– thereof France	26.8	30.9	7.3	65.0
Americas	452.7	446.2	128.2	1'027.1
– thereof USA	297.8	358.8	81.9	738.5
Asia-Pacific	288.0	162.5	292.2	742.6
– thereof China	206.5	24.0	188.2	418.7
Total	1'296.3	1'078.3	593.1	2'967.8

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Segment information by market segment

The following table shows the allocation of sales from external customers by market segment. The group changed the market segment definition in 2021 and prior-year numbers have been reclassified accordingly.

Sales by market segment – Flow Equipment

millions of CHF	2021	2020
Energy	507.9	532.0
Water	497.0	403.8
Industry	384.1	360.6
Total Flow Equipment	1'389.0	1'296.3

Sales by market segment – Services

millions of CHF	2021	2020
Pumps Services	601.0	592.1
Other Equipment	516.7	486.2
Total Services	1'117.7	1'078.3

Sales by market segment – Chemtech

millions of CHF	2021	2020
Chemicals	366.4	317.2
Gas and Refining	128.1	141.2
Services	96.7	84.5
Renewables	38.3	32.0
Water	19.1	18.1
Total Chemtech	648.5	593.1

4 Acquisitions of subsidiaries

Acquisitions in 2021

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

Net assets acquired

millions of CHF	Nordic Water	Others	Total
Intangible assets	72.3	7.4	79.7
Property, plant and equipment	1.2	1.4	2.5
Lease assets	2.9	1.5	4.4
Deferred income tax assets	0.1	–	0.1
Cash and cash equivalents	14.1	0.9	15.0
Trade accounts receivable	7.3	0.1	7.4
Other current assets	19.9	1.3	21.2
Lease liabilities	–2.9	–1.4	–4.4
Provisions	–1.9	–0.2	–2.1
Deferred income tax liabilities	–18.7	–1.0	–19.7
Other liabilities	–20.1	–0.4	–20.5
Net identifiable assets	74.3	9.4	83.6
Goodwill recognized in balance sheet	54.9	1.7	56.6
Total consideration	129.2	11.1	140.2
Purchase price paid in cash	129.2	9.2	138.4
Contingent consideration	–	1.9	1.9
Total consideration	129.2	11.1	140.2

Nordic Water

On February 1, 2021, the group acquired a 100% controlling interest in Nordic Water Holding AB (Nordic Water) for CHF 129.2 million. The headquarters of Nordic Water is located in Gothenburg, Sweden. Nordic Water employs approximately 200 people and is a pioneering innovation leader and is known for its broad application suite in primary, secondary and tertiary water treatment and its global reach. With the acquisition of Nordic Water, the group will be able to grow its wastewater-treatment business with equipment that complements the existing portfolio of pumps, grinders, mixers, compressors and other products that the group currently provides for the water market. Nordic Water will operate as part of Sulzer's Flow Equipment division. The goodwill is attributable to synergies by leveraging the scale of the combined businesses. None of the goodwill is expected to be deductible for tax purposes. Transaction costs recognized in the income statement amount to CHF – 1.0 million. Since the acquisition date, Nordic Water contributed order intake of CHF 73.6 million, sales of CHF 63.6 million and net income of CHF –1.2 million to the group.

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 7.3 million. The gross contractual amount for trade account receivables due is CHF 7.8 million, of which CHF 0.5 million are expected to be uncollectible at the date of acquisition.

Acquisitions of non-controlling interests in 2021

On March 22, 2021, the group acquired an additional 49.5% interest in Sulzer Wood Ltd. for CHF 17.3 million, increasing its ownership from 50.5% to 100%. The carrying amount of Sulzer Wood's net assets in the group's consolidated financial statements on the acquisition date was CHF 5.4 million. The group recognized a decrease of non-controlling interests of CHF 5.4 million and a decrease in equity attributable to owners of Sulzer Ltd of CHF 11.9 million.

The following table summarizes the effect of changes in the group's ownership interest in Sulzer Wood Ltd.

millions of CHF	2021
Carrying amount of non-controlling interests acquired	5.4
Consideration paid to non-controlling interests in cash	17.3
Decrease in equity attributable to owners of Sulzer Ltd	11.9

Pro forma sales and profit contribution

Had all above acquisitions occurred on January 1, 2021, management estimates that total net sales of the group would amount to CHF 3'159.5 million, and the consolidated net income would be CHF 1'418.7 million.

Cash flow from acquisitions of subsidiaries

millions of CHF	2021	2020
Cash consideration paid	-138.4	-106.5
Contingent consideration paid	-0.5	-
Cash acquired	15.0	3.7
Payments for acquisitions in prior years	-	-5.4
Total cash flow from acquisitions, net of cash acquired	-123.9	-108.2

Contingent consideration

millions of CHF	2021	2020 ¹⁾
Balance as of January 1	6.6	3.5
Assumed in a business combination	1.9	2.7
Derecognized as discontinued operations	-2.2	-
Payment of contingent consideration	-0.5	-
Currency translation differences	0.1	0.3
Total contingent consideration as of December 31	5.9	6.6
- thereof non-current	1.9	-
- thereof current	4.0	6.6

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided further below within this note.

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.

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 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 ¹⁾	48.8	-	48.8
Total consideration ¹⁾	107.6	1.5	109.1
Purchase price paid in cash	105.0	1.5	106.5
Contingent consideration ¹⁾	2.7	-	2.7
Total consideration ¹⁾	107.6	1.5	109.1

1) Numbers are adjusted to reflect the reassessment of the contingent considerations (measurement period adjustment).

Measurement period adjustment as of December 31, 2020

The group reassessed the accounting treatment of the contingent consideration of the Haselmeier acquisition based on facts and circumstances already existing at the acquisition date on October 1, 2020. The contingent consideration is mainly dependent on technology-related proof-of-concept, project development and customer orders and following the reassessment the earn-out amount was adjusted from CHF 13.9 million to CHF 2.2 million retrospectively. Consequently, the group adjusted goodwill and other liabilities by CHF 11.7 million as of December 31, 2020.

millions of CHF	As reported 2020	Measurement period adjustment	Adjusted 2020
Goodwill	957.7	-11.7	946.0
Total non-current assets	2'291.6	-11.7	2'279.9
Total assets	5'378.7	-11.7	5'367.0
Other non-current liabilities	21.9	-13.9	8.0
Total non-current liabilities	1'989.9	-13.9	1'976.0
Other current and accrued liabilities	721.9	2.2	724.1
Total current liabilities	1'971.7	2.2	1'973.8
Total equity and liabilities	5'378.7	-11.7	5'367.0

5 Critical accounting estimates and judgments

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 assets/obligations and the plan assets depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit assets/obligations include the discount rate, future salary and pension increases, and mortality rates. The assumptions are reviewed and reassessed at the end of each year based on observable market data, i.e., interest rate of high-quality corporate bonds denominated in the corresponding currency and asset management studies. Further details are provided in [note 9](#) and [note 34](#).

Income taxes

The group is obliged to pay income taxes in numerous jurisdictions. Assumptions are required in order to determine income tax provisions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of 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 13](#).

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 by the Board of Directors in February), or when indications of a potential impairment exist. The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations, with the terminal growth rate, the discount rate, and the projected cash flows as the main variables. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment are disclosed in [note 14](#). The accounting policies are disclosed in [note 34](#).

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 16](#) and [note 34](#).

Sales

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. In typical engineering contracts, engineering, production and installation are treated as one single performance obligation.

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.

The group recognizes sales either over time or at a point in time. Sales are recognized over time if any of the conditions described in [note 34](#) is met. To determine the method, the right to payment condition is the one with the most critical estimates. The group estimates if an enforceable right to

payment (including reasonable profit margin) for performance up to date exists in case the customer terminates the contract for convenience. For this estimate, the group reviews the contracts and considers relevant laws, legal precedents and customary business practice.

Applying the over time method requires the group to estimate the proportional sales and costs. To measure the stage of completion, generally, the cost-to-cost method is applied. Work progress of sub-suppliers is considered to determine the stage of completion. If circumstances arise that may change the original estimates of sales, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated sales or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Further details are disclosed in [note 20](#) and [note 34](#).

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 27](#) and [note 34](#).

6 Financial risk management

6.1 Financial risk factors

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

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

a) Market risk

(I) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The group is exposed to transactional foreign currency risk to the extent that sales, 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 companies are primarily CHF, EUR, USD, CNY and GBP. Management has set up a policy to require subsidiaries to manage their foreign exchange risk against their functional currency. The subsidiaries are required to hedge their major foreign exchange risk exposure using forward contracts or other standard instruments, usually transacted with Group Treasury. The group's management policy is to apply the following hedge ratios:

Contractual FX exposure

- 90% to 100% of the exposure

Non-contractual FX exposure

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

The group uses forward exchange contracts to hedge its currency risk, most 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 2021 and 2020 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 2021, the currency pair with the most significant exposure and inherent risk was the USD versus the BRL. If, on December 31, 2021, the USD had increased by 16.8% against the BRL with all other variables held constant, profit after tax for the year would have been CHF 0.9 million higher due to foreign exchange gains on USD-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	2021			
	USD/BRL	USD/KRW	EUR/INR	USD/INR
Currency pair				
Exposure	7.2	5.3	-5.4	-5.7
Volatility	16.8%	6.4%	5.8%	4.8%
Effect on profit after tax (rate increase)	0.9	0.4	-0.4	-0.4
Effect on profit after tax (rate decrease)	-0.9	-0.4	0.4	0.4

millions of CHF	2020			
	EUR/RUB	GBP/SAR	GBP/USD	EUR/ZAR
Currency pair				
Exposure	4.1	6.8	-4.6	-2.9
Volatility	20.3%	7.8%	11.0%	16.7%
Effect on profit after tax (rate increase)	0.6	0.4	-0.4	-0.4
Effect on profit after tax (rate decrease)	-0.6	-0.4	0.4	0.4

The following tables show the hypothetical influence on equity for 2021 and 2020 related to foreign exchange risk of financial instruments for the most important currency pairs as of December 31 of the respective year. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flows in foreign currencies.

Hypothetical impact of foreign exchange risk on equity

millions of CHF	2021						
Currency pair	USD/BRL	GBP/USD	EUR/USD	USD/CHF	USD/MXN	USD/INR	EUR/CHF
Exposure	-35.3	89.2	52.6	-40.7	-23.8	-40.1	-45.2
Volatility	16.8%	6.6%	5.7%	6.5%	11.1%	4.8%	3.9%
Effect on equity, net of taxes (rate increase)	-4.2	4.2	2.1	-1.9	-1.9	-1.4	-1.3
Effect on equity, net of taxes (rate decrease)	4.2	-4.2	-2.1	1.9	1.9	1.4	1.3

millions of CHF	2020						
Currency pair	USD/MXN	GBP/USD	USD/CHF	EUR/USD	EUR/RUB	USD/BRL	USD/INR
Exposure	-41.5	52.0	-63.5	49.0	-15.2	-12.5	-22.1
Volatility	18.9%	11.1%	7.4%	7.6%	21.0%	21.3%	5.4%
Effect on equity, net of taxes (rate increase)	-5.6	4.1	-3.4	2.7	-2.3	-1.9	-0.9
Effect on equity, net of taxes (rate decrease)	5.6	-4.1	3.4	-2.7	2.3	1.9	0.9

(II) Price risk

As of December 31, 2021, and 2020, the group was not exposed to significant price risk related to investments in equity securities.

(III) Interest rate sensitivity

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

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, CHF, USD, CNY, EUR and GBP, increasing interest rates would have had a positive impact on the income statement, since the value of 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	2021			
	Amount	Sensitivity in basis points	Impact on post-tax profit	
			rate increase	rate decrease
Variable interest-bearing assets (net)				
CHF	559.4	100	4.0	-4.0
USD	319.3	100	2.3	-2.3
CNY	201.2	100	1.4	-1.4
EUR	175.1	100	1.3	-1.3
GBP	42.2	100	0.3	-0.3

millions of CHF	2020			
	Amount	Sensitivity in basis points	Impact on post-tax profit	
			rate increase	rate decrease
Variable interest-bearing assets (net)				
CHF	501.4	100	3.6	-3.6
USD	287.4	100	2.1	-2.1
EUR	229.5	100	1.6	-1.6
CNY	181.7	100	1.3	-1.3
GBP	40.2	100	0.3	-0.3

On December 31, 2021, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 4.0 million higher, as a result of higher interest income on CHF-denominated assets. A decrease of interest rates on CHF-denominated assets net of liabilities would have caused a loss of the same amount. As of December 31, 2020, 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 3.6 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, deposits with financial institutions and credit exposures to customers, including outstanding receivables, contract assets and committed transactions. The maximum exposure to credit risk per class of financial asset is disclosed by carrying amounts in the fair value table. Not exposed to credit risks are equity securities. The carrying amounts of financial assets and contract assets represent the maximum credit risk exposure.

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

For every customer with a large order volume, an individual risk assessment of the credit quality of the customer is performed that considers independent ratings, financial position, past experience and other factors. Additionally, bank guarantees and letters of credit are requested. For more details on the credit risk of contract assets, please refer to [note 20](#), and on the credit risk of trade accounts receivable, please refer to [note 21](#).

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. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding through a committed credit line.

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. In 2021, the existing syndicated credit facility of CHF 500 million was renewed for a duration of five years until December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders' approval).

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

Maturity profile of financial liabilities

millions of CHF	2021				Total
	Carrying amount	<1 year	1–5 years	>5 years	
Borrowings	1'510.1	359.6	992.3	201.7	1'553.6
Lease liabilities	88.8	24.8	53.6	20.7	99.1
Trade accounts payable	431.8	431.8	–	–	431.8
Other current and non-current liabilities (excluding derivative liabilities)	393.8	389.2	4.6	–	393.8
Derivative liabilities	7.5	6.7	0.0	0.8	7.5
– thereof outflow		394.6	0.7	0.8	396.1
– thereof inflow		387.9	0.7	–	388.6

millions of CHF	2020				Total
	Carrying amount	<1 year	1–5 years	>5 years	
Borrowings	1'723.1	246.7	1'207.4	329.6	1'783.7
Lease liabilities	119.7	30.0	67.1	31.7	128.8
Trade accounts payable	465.8	465.8	–	–	465.8
Other current and non-current liabilities (excluding derivative liabilities)	368.2	347.5	23.0	0.0	370.6
Derivative liabilities	8.1	6.9	–	1.2	8.1
– thereof outflow		730.1	–	6.1	736.2
– thereof inflow		723.2	–	4.9	728.0

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. In this respect, the group aims at

maintaining an investment-grade credit rating, either as a perceived rating or an external rating issued by a credit rating agency.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The following table shows the net debt/EBITDA ratio as of December 31, 2021, and 2020.

Net debt/EBITDA ratio

millions of CHF	2021	2020
Cash and cash equivalents	-1'505.4	-1'123.2
Current financial assets	-26.7	-305.1
Non-current borrowings	1'164.6	1'491.3
Non-current lease liabilities	64.5	90.2
Current borrowings	345.5	231.8
Current lease liabilities	24.3	29.5
Net debt as of December 31	66.8	414.5
Operating income (EBIT) from continuing operations	221.8	132.5
Operating income (EBIT) from discontinued operations	46.2	18.1
Depreciation from continuing operations	81.0	78.3
Depreciation from discontinued operations	20.5	23.4
Impairments on tangible and intangible assets from continuing operations	4.2	9.4
Impairments on tangible and intangible assets from discontinued operations	0.5	0.5
Amortization from continuing operations	50.2	46.7
Amortization from discontinued operations	16.6	19.2
EBITDA	441.0	328.1
Net debt	66.8	414.5
EBITDA	441.0	328.1
Net debt/EBITDA ratio	0.15	1.26

Another important ratio for the group is the gearing ratio (borrowings-to-equity ratio), which is calculated as total borrowings and lease liabilities divided by equity attributable to shareholders of Sulzer Ltd.

As of December 31, 2021, and 2020, the gearing ratio was as follows:

Gearing ratio (borrowings-to-equity ratio)

millions of CHF	2021	2020
Non-current borrowings	1'164.6	1'491.3
Non-current lease liabilities	64.5	90.2
Current borrowings	345.5	231.8
Current lease liabilities	24.3	29.5
Total borrowings and lease liabilities	1'598.9	1'842.8
Equity attributable to shareholders of Sulzer Ltd	1'273.8	1'404.3
Gearing ratio (borrowings-to-equity ratio)	1.26	1.31

For the definition of net debt, EBITDA and gearing ratio, please refer to the section “[Supplementary information](#)”.

6.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as of December 31, 2021, and 2020, 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, including the outstanding bonds, 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.

Contingent considerations are linked to the fulfillment of certain parameters, mainly related to earn-out clauses and technology transfer. For more information, please refer to [note 4](#).

Fair value table

		December 31, 2021									
		Carrying amount					Fair value				
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at fair value through other comprehensive income - equity instruments	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											
Other non-current financial assets (at fair value)	18		8.9	–			8.9	0.3	–	8.6	8.9
Derivative assets – non-current	29	0.7					0.7	–	0.7	–	0.7
Derivative assets – current	22, 29	7.0					7.0	–	7.0	–	7.0
Current financial assets (at fair value)	18		2.0	22.5			24.5	24.5	–	–	24.5
Total financial assets measured at fair value		7.7	10.9	22.5	–	–	41.1	24.8	7.7	8.6	41.1
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)	18				9.1		9.1				
Non-current receivables (excluding non-current derivative assets)					4.6		4.6				
Trade accounts receivable	21				549.2		549.2				
Other current receivables (excluding current derivative assets and other taxes)	22				18.3		18.3				
Current financial assets (at amortized cost)	18				2.2		2.2				
Cash and cash equivalents	23				1'505.4		1'505.4				
Total financial assets not measured at fair value		–	–	–	2'088.8	–	2'088.8				
Financial liabilities measured at fair value											
Derivative liabilities – non-current	29	0.8					0.8	–	0.8	–	0.8
Derivative liabilities – current	28, 29	6.7					6.7	–	6.7	–	6.7
Contingent considerations	4		5.9				5.9	–	–	5.9	5.9
Total financial liabilities measured at fair value		7.5	5.9	–	–	–	13.4	–	7.5	5.9	13.4
Financial liabilities not measured at fair value											
Outstanding non-current bonds	26					1'163.8	1'163.8	1'189.5	–	–	1'189.5
Other non-current borrowings	26					0.8	0.8				
Other non-current liabilities (excluding non-current derivative liabilities)						4.6	4.6				
Outstanding current bonds	26					325.0	325.0	325.9	–	–	325.9
Other current borrowings and bank loans	26					20.5	20.5				
Trade accounts payable						431.8	431.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	28					350.9	350.9				
Total financial liabilities not measured at fair value		–	–	–	–	2'297.3	2'297.3				

Fair value table

December 31, 2020 ¹⁾											
millions of CHF	Notes	Carrying amount					Fair value			Total fair value	
		Fair value hedging instruments	Fair value through profit or loss	Financial assets at fair value through other comprehensive income - equity instruments	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2		Level 3
Financial assets measured at fair value											
Other non-current financial assets (at fair value)	18		8.7	–			8.7	0.2	–	8.4	8.7
Derivative assets – non-current	29	1.0					1.0	–	1.0	–	1.0
Derivative assets – current	22, 29	12.1					12.1	–	12.1	–	12.1
Current financial assets (at fair value)	18		1.7				1.7	1.7	–	–	1.7
Total financial assets measured at fair value		13.2	10.4	–	–	–	23.6	2.0	13.2	8.4	23.6
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)	18				2.0		2.0				
Non-current receivables (excluding non-current derivative assets)					3.3		3.3				
Trade accounts receivable	21				599.1		599.1				
Other current receivables (excluding current derivative assets and other taxes)	22				19.2		19.2				
Current financial assets (at amortized cost)	18				303.3		303.3				
Cash and cash equivalents	23				1'123.2		1'123.2				
Total financial assets not measured at fair value		–	–	–	2'050.0	–	2'050.0				
Financial liabilities measured at fair value											
Derivative liabilities – non-current	29	1.2					1.2	–	1.2	–	1.2
Derivative liabilities – current	28, 29	6.9					6.9	–	6.9	–	6.9
Contingent considerations	4		6.6				6.6	–	–	6.6	6.6
Total financial liabilities measured at fair value		8.1	6.6	–	–	–	14.7	–	8.1	6.6	14.7
Financial liabilities not measured at fair value											
Outstanding non-current bonds	26					1'488.5	1'488.5	1'527.5	–	–	1'527.5
Other non-current borrowings	26					2.7	2.7				
Other non-current liabilities (excluding non-current derivative liabilities)						6.8	6.8				
Outstanding current bonds	26					209.9	209.9	211.3	–	–	211.3
Other current borrowings and bank loans	26					21.9	21.9				
Trade accounts payable						465.8	465.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	28					307.6	307.6				
Total financial liabilities not measured at fair value		–	–	–	–	2'503.2	2'503.2				

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

7 Discontinued operations

On September 20, 2021, Sulzer Ltd shareholders at their Extraordinary General Meeting approved the 100% spin-off of the Applicator Systems (APS) division (later renamed medmix) through a 1:1 share split, granting Sulzer shareholders one APS share in addition to each Sulzer share held.

The group has therefore separated the financial data for 2021 and prior years into “continuing” and “discontinued” operations. Discontinued operations include the operational results from the Applicator Systems division, certain corporate activities attributable to the Applicator Systems division prior to the spin-off on September 20, 2021 and the gain on net assets derecognized as of September 20, 2021.

The Applicator Systems division develops and delivers innovative products and services for liquid application and mixing solutions within the healthcare, adhesives and beauty markets through its well-known brands (Mixpac, Transcodent, Cox, medmix, Haselmeier and Geka).

Income statement of discontinued operations

millions of CHF	2021 ¹⁾	2020
Sales	337.9	351.2
Cost of goods sold	-201.5	-230.1
Gross profit from discontinued operations	136.5	121.2
Selling and distribution expenses	-28.4	-33.4
General and administrative expenses	-30.9	-37.5
Research and development expenses	-18.9	-20.3
Other operating income / (expenses), net	-12.0	-11.8
Operating income (EBIT) from discontinued operations	46.2	18.1
Interest and securities income	0.1	0.2
Interest expenses	-5.9	-7.7
Other financial income / (expenses), net	-0.0	-0.1
Income before income tax expenses from discontinued operations	40.3	10.5
Income tax income / (expenses)	-17.1	5.2
Net income from discontinued operations before gain on net assets derecognized	23.2	15.6
Gain on net assets derecognized	1'255.1	-
Net income from discontinued operations, net of tax	1'278.3	15.6

1) The consolidated income statement amounts reflect the period from January 1, 2021, to the completion of the spin-off on September 20, 2021.

Segment information of discontinued operations

millions of CHF	2021 ¹⁾	2020
Order intake (unaudited) ²⁾	401.6	364.8
Nominal growth (unaudited)	10.1%	-14.2%
Currency-adjusted growth (unaudited)	n/a	-11.0%
Organic growth (unaudited) ³⁾	n/a	-14.2%
Order backlog as of September 20 / December 31 (unaudited)	133.6	82.0
Sales recognized at a point in time	335.8	349.8
Sales recognized over time	2.2	1.4
Sales ⁴⁾	337.9	351.2
Nominal growth	-3.8%	-16.5%
Currency-adjusted growth (unaudited)	n/a	-13.4%
Organic growth (unaudited) ³⁾	n/a	-15.2%
Operational profit (unaudited)	64.8	42.6
Operational profitability (unaudited)	19.2%	12.1%
Restructuring expenses	-0.2	-3.2
Amortization	-16.6	-19.2
Impairments on tangible and intangible assets	-0.5	-0.5
Non-operational items (unaudited)	-1.3	-1.6
Operating income (EBIT)	46.2	18.1
Depreciation	-20.5	-23.4
Operating assets	756.1	n/a
Unallocated assets	86.2	n/a
Total assets as of September 20	842.3	n/a
Operating liabilities	135.8	n/a
Unallocated liabilities	462.3	n/a
Total liabilities as of September 20	598.1	n/a
Operating net assets	620.2	n/a
Unallocated net assets	-376.1	n/a
Total net assets as of September 20	244.2	n/a
Capital expenditure (incl. lease assets)	-32.4	-70.0
Employees (number of full-time equivalents) as of September 20 / December 31	1'972	1'857

1) The consolidated income statement amounts reflect the period from January 1, 2021, to the completion of the spin-off on September 20, 2021.

2) Order intake from external customers.

3) Adjusted for currency and acquisition effects.

4) Sales from external customers.

Re-presented consolidated income statement 2020

millions of CHF	2020 as originally presented	Adjustments	2020 adjusted
Sales	3'319.0	-351.2	2'967.8
Cost of goods sold	-2'325.4	230.1	-2'095.3
Gross profit	993.6	-121.2	872.4
Selling and distribution expenses	-339.2	33.4	-305.8
General and administrative expenses	-378.0	37.5	-340.5
Research and development expenses	-84.1	20.3	-63.8
Other operating income / (expenses), net	-41.6	11.8	-29.8
Operating income (EBIT)	150.6	-18.1	132.5
Interest and securities income	4.1	6.3	10.5
Interest expenses	-25.2	1.2	-24.0
Other financial income / (expenses), net	-7.0	0.1	-6.9
Share of gains / (losses) of associates	-0.7	-	-0.7
Income before income tax expenses	121.8	-10.5	111.3
Income tax expenses	-34.6	-5.2	-39.8
Net income from continuing operations	87.2	-15.6	71.5
Net income from discontinued operations, net of tax	-	15.6	15.6
Net income	87.2	-	87.2
- thereof attributable to shareholders of Sulzer Ltd	83.6	-	83.6
- thereof attributable to non-controlling interests	3.6	-	3.6

Net assets derecognized

The following table presents the Applicator Systems division net assets at the date of spin-off on September 20, 2021.

millions of CHF	September 20, 2021
Goodwill	265.4
Other intangible assets	143.9
Property, plant and equipment	165.0
Lease assets	51.6
Deferred income tax assets	6.6
Other non-current assets	0.1
Cash and cash equivalents	85.9
Inventories	71.8
Trade accounts receivable	40.7
Other current assets	11.3
Borrowings	-439.8
Lease liabilities	-51.1
Provisions	-13.7
Non-current income tax liabilities	-1.9
Deferred income tax liabilities	-24.1
Other liabilities	-67.3
Net assets derecognized	244.2

Gain on net assets derecognized

millions of CHF	September 20, 2021
Net assets derecognized	-244.2
Derecognition of distribution liability	1'485.6
Difference between net assets and distribution liability	1'241.4
Recognition of medmix Ltd shares	21.9
Currency translation differences recycled into the income statement	-7.2
Cash flow hedges, net of tax recycled into the income statement	-1.1
Gain on net assets derecognized	1'255.1

Following the approval of the Sulzer Ltd shareholders to spin-off the Applicator Systems division through a 1:1 share split, the group recognized a distribution liability at fair value amounting to CHF 1'485.6 million. The distribution liability is recognized as a deduction to retained earnings and exceeded the carrying value of the Applicator Systems division of CHF 244.2 million by CHF 1'241.4 million.

At the time of the spin-off on September 20, 2021, the group held 498'736 treasury shares. Through the spin-off the group received 498'736 medmix Ltd shares which were recognized at fair value based on the closing price at the first trading date on September 30, 2021. At initial recognition, the fair value of CHF 21.9 million was reported as a financial asset. Management has designated this investment at fair value through other comprehensive income (see [note 18](#)).

The total non-taxable, non-cash gain recognized at the distribution date of the spin-off of the Applicator Systems division amounted to CHF 1'255.1 million.

8 Personnel expenses

millions of CHF	2021	2020 ¹⁾
Salaries and wages	792.9	783.2
Defined contribution plan expenses	32.3	26.8
Defined benefit plan expenses	16.9	16.4
Cost of share-based payment transactions	20.8	13.7
Social benefit costs	117.4	117.5
Other personnel costs	37.9	56.7
Total personnel expenses continuing operations	1'018.1	1'014.4
Personnel expenses discontinued operations	91.4	109.0
Total personnel expenses	1'109.5	1'123.4

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

9 Employee benefit plans

The defined benefit obligations 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 assets/obligations for the retirees are the present value of the current and future pension benefits considering future pension increases.

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

millions of CHF						2021
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans others	Unfunded plans	Total
Present value of funded defined benefit obligation	-891.6	-613.2	-68.4	-104.9	-	-1'678.1
Fair value of plan assets (funded plans)	1'025.8	504.0	50.6	66.1	-	1'646.6
Overfunding / (underfunding)	134.2	-109.2	-17.8	-38.8	-	-31.5
Present value of unfunded defined benefit obligation	-	-	-	-	-14.1	-14.1
Asset / (liability) recognized in the balance sheet	134.2	-109.2	-17.8	-38.8	-14.1	-45.7
- thereof defined benefit obligations	-	-109.2	-17.8	-38.9	-14.1	-180.0
- thereof defined benefit assets	134.2	-	-	0.1	-	134.3

millions of CHF						2020
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans others	Unfunded plans	Total
Present value of funded defined benefit obligation	-1'034.7	-609.9	-68.8	-110.7	-	-1'824.1
Fair value of plan assets	1'108.4	469.9	45.1	66.1	-	1'689.5
Overfunding / (underfunding)	73.7	-139.9	-23.7	-44.6	-	-134.6
Present value of unfunded defined benefit obligation	-	-	-	-	-17.1	-17.1
Asset / (liability) recognized in the balance sheet	73.7	-139.9	-23.7	-44.6	-17.1	-151.7
- thereof defined benefit obligations	-1.8	-139.9	-23.7	-44.7	-17.1	-227.4
- thereof defined benefit assets ¹⁾	75.5	-	-	0.1	-	75.7

1) Defined benefit assets are presented as non-current assets and comparative information is re-presented. In 2020, defined benefit assets were presented as "other current receivables and prepaid expenses" under current assets.

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

In Switzerland, the group contributes to two pension plans funded via two different pension funds, i.e., a base plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide benefits depending on the pension savings at retirement. They

include certain legal minimum interest credits to the pension savings (i.e. investment return) and guaranteed rates of conversion of pension savings into an annuity at retirement. In addition, the plans offer death in service and disability benefits. The two pension funds are collective funds administrating pension plans of group companies and also unrelated companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contributions by employer and employees or lower interest on pension savings, to eliminate the underfunding. The pension funds are legally separated from the group. The vast majority of the active participants in the two pension funds are employed by companies not belonging to the group. The Board of Trustees for the base plan comprises 10 employee representatives and 10 employer representatives. The average discount rate increased in 2021 compared to 2020 (from 0.2% to 0.4% for active employees and from 0.1% to 0.3% for pensioners). The plan assets decreased compared to 2020 due to the spin-off of the Applicator Systems division. The total expenses recognized in the income statement in 2021 were CHF 16.6 million (2020: CHF 19.0 million).

In the UK, the plan is a final salary plan and provides benefits linked to salary at closure to future accrual adjusted for inflation to retirement or earlier date of leaving service. The scheme is fully closed to new entrants and future accruals. The scheme is managed by six trustees forming the Board. The plan is a multiemployer scheme with Sulzer (UK) Holding being the principal sponsor. The discount rate increased in 2021 by 0.5 percentage points to 2.0% (2020: 1.5%). The net pension liabilities decreased from CHF 139.9 million in 2020 to CHF 109.2 million due to the higher discount rate and changes in the demographic assumptions. The total expenses recognized in the income statement in 2021 were CHF 3.0 million, compared to CHF 3.3 million in 2020.

In the USA, the group operates non-contributory defined benefit retirement plans. The salaried plans provide benefits that are based on years of service and the employee's compensation, averaged over the five highest consecutive years preceding retirement. The hourly plans' benefits are based on years of service and a flat dollar benefit multiplier. All plans were closed for new entrants. In 2021, an expense of CHF 1.1 million was recognized in the income statement (2020: CHF 1.3 million). The discount rate increased in 2021 to 2.5% (2020: 2.2%). The amount recognized in other comprehensive income (OCI) in 2021 was CHF -1.0 million (2020: CHF -4.2 million).

In Germany, the group operates a range of different defined benefit pension plans. The majority of these plans are unfunded and benefits are paid directly by the employer to the beneficiaries as they become due. All defined benefit plans are closed for new entrants and a new defined contribution plan for all employees was introduced in 2007. Existing employees who participated in the defined benefit plans continued to be eligible for these defined benefit pensions but also became eligible for the new defined contribution pensions. However, benefits received under the defined contribution plan are offset against the benefits under the defined benefit plans. The different defined benefit plans offer retirement pension, disability pension and survivor's pension benefits.

Employee benefit plans

millions of CHF	2021	2020
Reconciliation of effect of asset ceiling		
Reconciliation of asset / (liability) recognized in the balance sheet		
Asset / (liability) recognized at January 1	-151.7	-168.6
Defined benefit income / (expenses) recognized in the income statement	-24.1	-25.2
Defined benefit income / (expenses) recognized in OCI	102.2	8.8
Employer contributions	29.0	25.3
Derecognized as discontinued operations	1.4	-
Currency translation differences	-2.5	8.1
Asset / (liability) recognized at December 31	-45.7	-151.7
Components of defined benefit income / (expenses) in the income statement		
Current service costs (employer)	-19.1	-22.2
Interest expenses	-12.9	-16.3
Interest income on plan assets	9.7	12.9
Past service costs	-0.1	-
Effects of curtailments and settlements	-	2.3
Other administrative costs	-1.7	-1.8
Income / (expenses) recognized in the income statement	-24.1	-25.2
- thereof charged to personnel expenses	-16.9	-16.4
- thereof charged to financial expenses	-3.2	-3.5
- thereof charged to net income from discontinued operations	-4.0	-5.3
Components of defined benefit gains / (losses) in OCI		
Actuarial gains / (losses) on defined benefit obligation	16.6	-73.6
Returns on plan assets excl. interest income	84.9	82.2
Returns on reimbursement right excl. interest income / (expenses)	0.7	0.2
Defined benefit gains / (losses) recognized in OCI ¹⁾	102.2	8.8

1) The tax effect on defined benefit cost recognized in OCI amounted to CHF -13.4 million (2020: CHF -0.8 million).

Employee benefit plans

millions of CHF	2021	2020
Reconciliation of defined benefit obligation		
Defined benefit obligation as of January 1	-1'841.2	-1'884.0
Interest expenses	-12.9	-16.3
Current service costs (employer)	-19.1	-22.2
Contributions by plan participants	-9.2	-8.7
Past service costs	-0.1	-
Benefits paid / (deposited)	99.3	126.5
Effects of curtailments and settlement	-	2.3
Other administrative costs	-1.7	-1.8
Actuarial gains / (losses)	16.6	-73.6
Derecognized as discontinued operations	89.6	-
Currency translation differences	-13.6	36.7
Defined benefit obligation as of December 31 ¹⁾	-1'692.3	-1'841.2
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	1'689.5	1'715.4
Interest income on plan assets	9.7	12.9
Employer contributions	29.0	25.3
Contributions by plan participants	9.2	8.7
Benefits (paid) / deposited	-99.3	-126.5
Effects of curtailments and settlement	-	0.0
Returns on plan assets excl. interest income	84.9	82.2
Derecognized as discontinued operations	-88.2	-
Currency translation differences	11.8	-28.4
Fair value of plan assets as of December 31	1'646.6	1'689.5
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	82.1	70.6
Equity instruments	569.9	555.7
Debt instruments	392.3	439.8
Real estate funds	33.2	35.3
Investment funds	4.6	3.9
Others	126.3	118.7
Total assets at fair value – quoted market price as of December 31	1'208.5	1'224.1
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third parties (real estate)	264.7	287.7
Others	173.4	177.7
Total assets at fair value – non-quoted market price as of December 31	438.1	465.5
Best estimate of contributions for upcoming financial year		
Contributions by the employer	23.3	28.7

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

Employee benefit plans

millions of CHF	2021	2020
Components of defined benefit obligation, split		
Defined benefit obligation for active members	-275.3	-345.4
Defined benefit obligation for pensioners	-1'024.9	-1'109.9
Defined benefit obligation for deferred members	-392.0	-385.9
Total defined benefit obligation as of December 31	-1'692.3	-1'841.2
Components of actuarial gains / (losses) on obligations		
Actuarial gains / (losses) arising from changes in financial assumptions	22.0	-75.6
Actuarial gains / (losses) arising from changes in demographic assumptions	1.7	11.4
Actuarial gains / (losses) arising from experience adjustments	-7.1	-9.5
Total actuarial gains / (losses) on defined benefit obligation	16.6	-73.6
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	13.2	13.5

Since the defined benefit obligations for the Swiss and UK pension plans represents 89% (2020: 89%) of the group, the following significant actuarial assumptions apply exclusively to these two countries:

Principal actuarial assumptions as of December 31

	2021		2020	
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans Switzerland	Funded plans United Kingdom
Discount rate for active employees	0.4%	2.0%	0.2%	1.5%
Discount rate for pensioners	0.3%	2.0%	0.1%	1.5%
Future salary increases	1.0%	0.0%	1.0%	0.0%
Future pension increases	0.0%	3.2%	0.0%	2.8%
Life expectancy at retirement age (male / female) in years	22/24	22/24	22/24	22/24

Sensitivity analysis of defined benefit obligations

millions of CHF	2021	2020
Discount rate (decrease 0.25 percentage points)	-53.5	-59.2
Discount rate (increase 0.25 percentage points)	59.1	64.0
Future salary growth (decrease 0.25 percentage points)	7.9	7.6
Future salary growth (increase 0.25 percentage points)	-0.5	-0.5
Life expectancy (decrease 1 year)	104.5	110.1
Life expectancy (increase 1 year)	-95.8	-103.5

10 Research and development expenses

A breakdown of the research and development expenses per division is shown in the table below:

millions of CHF	2021	2020 ¹⁾
Flow Equipment	39.6	39.1
Services	1.3	1.9
Chemtech	23.4	22.9
Total	64.4	63.8

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

11 Other operating income and expenses

millions of CHF	2021	2020 ¹⁾
Gain from sale of property, plant and equipment	1.7	3.0
Operating currency exchange gains, net	5.1	0.2
Other operating income	27.8	30.2
Total other operating income	34.6	33.4
Restructuring expenses	-9.5	-52.6
Impairments on tangible and intangible assets	-4.2	-9.4
Cost for mergers and acquisitions	-2.7	-1.2
Loss from sale of property, plant and equipment	-0.2	-0.1
Total other operating expenses	-16.5	-63.2
Total other operating income / (expenses), net	18.1	-29.8

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Other operating income includes income from charges to medmix for corporate support functions and centrally procured indirect spend utilized by medmix of CHF 11.5 million (2020: CHF 10.3 million). Further, other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales from customers.

The group recognized restructuring costs for continuing operations of CHF 11.5 million and for discontinued operations of CHF 0.2 million (2020: CHF 54.8 million for continuing operations and CHF 3.2 million for discontinued operations), partly offset by released restructuring provisions of CHF 2.0 million (2020: CHF 2.2 million). Restructuring costs mainly relate to resizing activities in the USA and the United Kingdom. Associated with restructuring initiatives, the group further recognized impairments on tangible and intangible assets for continuing operations of CHF 4.2 million (2020: CHF 9.4 million) and CHF 0.5 million for discontinued operations (2020: CHF 0.5 million). For more details refer to [note 7](#), [note 14](#), [note 15](#) and [note 16](#).

The functional allocation of the total restructuring expenses and impairments is as follows: cost of goods sold CHF -6.6 million (2020: CHF -37.5 million), selling and distribution expenses CHF -0.4 million (2020: CHF -5.5 million), general and administrative expenses CHF -6.6 million (2020: CHF -18.7 million) and research and development expenses CHF 0.0 million (2020: CHF -0.3 million).

12 Financial income and expenses

millions of CHF	2021	2020 ¹⁾
Interest and securities income	10.4	10.5
Total interest and securities income	10.4	10.5
Interest expenses on borrowings and lease liabilities	-22.5	-20.6
Interest expenses on employee benefit plans	-3.2	-3.5
Total interest expenses	-25.7	-24.0
Total interest income / (expenses), net	-15.3	-13.6
Fair value changes	1.3	6.1
Other financial expenses	-1.6	-3.6
Currency exchange gains / (losses), net	-6.0	-9.5
Total other financial income / (expenses), net	-6.4	-6.9
Total financial income / (expenses), net	-21.7	-20.5
- thereof fair value changes on financial assets at fair value through profit and loss	1.3	6.1
- thereof interest income on financial assets at amortized costs	10.4	10.5
- thereof other financial expenses	-1.6	-3.6
- thereof currency exchange gains / (losses), net	-6.0	-9.5
- thereof interest expenses on borrowings	-20.4	-18.3
- thereof interest expenses on lease liabilities	-2.1	-2.3
- thereof interest expenses on employee benefit plans	-3.2	-3.5

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Total financial expenses, net amounted to CHF 21.7 million, compared with CHF 20.5 million in 2020.

The “Fair value changes” are largely related to derivative financial instruments that are classified as financial assets or financial liabilities at fair value through profit and loss and that are used as hedging instruments to hedge foreign exchange risks.

13 Income taxes

millions of CHF	2021	2020 ¹⁾
Current income tax expenses	-86.4	-56.8
Deferred income tax income	29.1	16.9
Total income tax expenses	-57.2	-39.8

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

The weighted average tax rate results from applying each subsidiary’s statutory income tax rate to the income before taxes. Since the group operates in countries that have differing tax laws and rates, the consolidated weighted average effective tax rate will vary from year to year according to variations in income per country and changes in applicable tax rates.

Reconciliation of income tax expenses

millions of CHF	2021	2020 ¹⁾
Income before income tax expenses from continuing operations	197.9	111.3
Weighted average tax rate	23.7%	23.2%
Income taxes at weighted average tax rate	-46.9	-25.9
Income taxed at different tax rates	1.0	2.5
Effect of tax loss carryforwards and allowances for deferred income tax assets	-4.7	-3.5
Expenses not deductible for tax purposes	-5.3	-5.6
Effect of changes in tax rates and legislation	3.6	-0.1
Prior year items and others	-4.9	-7.3
Total income tax expenses	-57.2	-39.8
Effective income tax rate	28.9%	35.8%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

The effective income tax rate for 2021 was 28.9% (2020: 35.8%). The effect of tax loss carryforwards and allowances of deferred tax assets in the amount of CHF -4.7 million consist of restructuring expenses related to closed facilities and divestments of businesses with no corresponding tax effects. Expenses not deductible for tax purposes in the amount of CHF -5.3 million mainly relate to the disallowance of group charges and interests. Prior year items and others include additional provision for uncertain tax positions in the amount of CHF 1.1 million, tax base adjustments in Russia and Mexico, and negative tax audit assessments.

The effective income tax rate for 2020 was 35.8%. The effect of tax loss carryforwards and allowances of deferred tax assets in the amount of CHF -3.5 million consist of restructuring expenses related to closed facilities with no corresponding tax effects. Expenses not deductible for tax purposes in the amount of CHF -5.6 million mainly relate to the disallowance of group charges and interests. Prior year items and others include additional provision for uncertain tax positions in the amount of CHF 4.2 million.

Income tax liabilities

millions of CHF	2021	2020
Balance as of January 1	43.5	35.9
Acquired through business combination	0.7	2.3
Derecognized as discontinued operations	-10.0	-
Additions	77.0	68.3
Released as no longer required	-6.9	-5.8
Utilized	-62.6	-55.8
Currency translation differences	0.7	-1.3
Total income tax liabilities as of December 31	42.4	43.5
- thereof non-current	2.2	4.8
- thereof current	40.2	38.7

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

millions of CHF	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	11.9	-66.5	-54.6	17.0	-83.1	-66.1
Property, plant and equipment	3.2	-16.8	-13.6	4.5	-16.0	-11.5
Other financial assets	17.1	-0.5	16.6	4.3	-1.1	3.2
Inventories	29.4	-1.2	28.2	27.4	-2.7	24.7
Other assets	18.7	-50.9	-32.2	16.0	-31.2	-15.2
Defined benefit obligations	33.0	-	33.0	37.8	-1.4	36.4
Non-current provisions	13.4	-0.0	13.4	12.7	-2.0	10.8
Current provisions	29.2	-2.7	26.5	16.0	-0.6	15.4
Other liabilities	48.0	-14.6	33.4	36.8	-11.7	25.1
Tax loss carryforwards	28.9	-	28.9	42.7	-	42.7
Elimination of intercompany profits	0.5	-	0.5	0.6	-	0.6
Tax assets / liabilities	233.2	-153.2	80.1	215.8	-149.8	66.0
Offset of assets and liabilities	-69.1	69.1	-	-61.3	61.3	-
Net recorded deferred income tax assets and liabilities	164.2	-84.1	80.1	154.5	-88.5	66.0

Cumulative deferred income taxes recorded in equity as of December 31, 2021, amounted to CHF 0.5 million (2020: CHF 13.3 million). The group does not recognize any deferred taxes on investments in subsidiaries because it controls the dividend policy of its subsidiaries – 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

								2021
millions of CHF	Balance as of January 1	Recognized in profit or loss continuing operations	Recognized in profit or loss discontinued operations	Recognized in other comprehensive income	Acquisition of subsidiaries	Derecognized as discontinued operations	Currency translation differences	Balance as of December 31
Intangible assets	-66.1	5.6	3.8	-	-19.7	21.4	0.5	-54.6
Property, plant and equipment	-11.5	-2.4	0.8	-	-	-0.1	-0.4	-13.6
Other financial assets	3.2	13.2	-	-	-	-	0.2	16.6
Inventories	24.7	2.3	1.2	-	-	-	-	28.2
Other assets	-15.2	-13.9	-6.3	0.8	-	-0.2	2.6	-32.2
Defined benefit obligations	36.4	7.2	2.1	-13.4	-	-0.7	1.5	33.0
Non-current provisions	10.8	2.9	-	-	-	-0.2	-	13.4
Current provisions	15.4	10.7	0.2	-	0.1	-	-	26.5
Other liabilities	25.1	6.5	1.3	-	-	-0.8	1.3	33.4
Tax loss carryforwards	42.7	-2.8	-8.4	-	-	-1.9	-0.7	28.9
Elimination of intercompany profits	0.6	-0.1	-	-	-	-	-	0.5
Total	66.0	29.1	-5.3	-12.6	-19.6	17.5	5.0	80.1

								2020
millions of CHF	Balance as of January 1	Recognized in profit or loss continuing operations	Recognized in profit or loss discontinued operations	Recognized in other comprehensive income	Acquisition of subsidiaries	Derecognized as discontinued operations	Currency translation differences	Balance as of December 31
Intangible assets	-72.5	5.7	5.2	-	-5.6	-	1.2	-66.1
Property, plant and equipment	-8.5	-2.6	-1.1	-	-	-	0.7	-11.5
Other financial assets	4.6	-1.0	-	-	-	-	-0.5	3.2
Inventories	17.6	8.1	-0.2	-	-	-	-0.8	24.7
Other assets	-2.3	-14.8	5.2	-2.4	-	-	-0.9	-15.2
Defined benefit obligations	27.9	11.0	0.2	-0.8	-	-	-1.8	36.4
Non-current provisions	14.8	-3.0	-	-	-	-	-1.0	10.8
Current provisions	17.5	0.4	-1.3	-	0.3	-	-1.5	15.4
Other liabilities	22.6	2.7	1.0	-	-	-	-1.2	25.1
Tax loss carryforwards	32.6	10.6	1.1	-	-	-	-1.5	42.7
Elimination of intercompany profits	0.8	-0.2	-	-	-	-	-	0.6
Total	55.0	16.9	9.9	-3.2	-5.3	-	-7.3	66.0

Tax loss carryforwards (TLCF)

	2021				
millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
Expiring in the next 3 years	0.0	0.0	–	0.0	–
Expiring in 4–7 years	17.0	3.6	–3.1	0.5	14.5
Available without limitation	232.4	45.7	–17.3	28.4	104.8
Total tax loss carryforwards as of December 31	249.4	49.3	–20.4	28.9	119.3

	2020				
millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
Expiring in the next 3 years	0.5	0.1	–0.1	0.1	0.3
Expiring in 4–7 years	32.9	6.4	–3.3	3.1	14.6
Available without limitation	285.6	55.4	–15.9	39.5	111.7
Total tax loss carryforwards as of December 31	318.9	62.0	–19.3	42.7	126.6

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 119.3 million (2020: CHF 126.6 million).

14 Goodwill and other intangible assets

						2021
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
Acquisition cost						
Balance as of January 1	1'286.0	221.6	15.3	58.3	628.4	2'209.6
Acquired through business combination	56.6	11.0	–	–	68.7	136.3
Derecognized as discontinued operations	–265.4	–78.8	–5.8	–16.7	–239.8	–606.6
Additions	–	–	0.3	6.7	0.0	6.9
Disposals	–	–61.2	–0.0	–2.4	–0.7	–64.4
Currency translation differences	–9.9	1.2	–0.0	1.4	–7.1	–14.4
Balance as of December 31	1'067.3	93.8	9.8	47.2	449.5	1'667.6
Accumulated amortization and impairment losses						
Balance as of January 1	340.0	148.7	11.4	46.5	316.1	862.6
Derecognized as discontinued operations	–	–66.2	–4.4	–13.9	–112.7	–197.2
Additions	–	16.9	1.3	2.8	45.9	66.8
Disposals	–	–61.2	–0.0	–2.3	–0.7	–64.2
Impairments	–	–	–	–	0.2	0.2
Currency translation differences	–	–0.1	–0.0	0.2	–4.6	–4.5
Balance as of December 31	340.0	38.1	8.2	33.3	244.2	663.8
Net book value						
As of January 1	946.0	73.0	4.0	11.8	312.3	1'347.0
As of December 31	727.3	55.7	1.6	14.0	205.3	1'003.8

						2020
millions of CHF	Goodwill ¹⁾	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
Acquisition cost						
Balance as of January 1	1'260.8	220.9	14.6	52.9	609.8	2'159.0
Acquired through business combination	48.8	9.2	–	0.3	32.0	90.3
Additions	–	0.0	0.6	6.9	–	7.5
Disposals	–	–5.9	–	–1.5	–0.1	–7.5
Currency translation differences	–23.7	–2.5	0.0	–0.3	–13.3	–39.7
Balance as of December 31	1'286.0	221.6	15.3	58.3	628.4	2'209.6
Accumulated amortization						
Balance as of January 1	340.0	138.4	9.8	45.4	274.5	808.1
Additions	–	15.4	1.6	3.2	45.7	65.9
Disposals	–	–5.9	–	–1.4	–0.0	–7.4
Impairments	–	–	0.0	0.9	–	0.9
Currency translation differences	–	0.8	–0.0	–1.6	–4.1	–4.9
Balance as of December 31	340.0	148.7	11.4	46.5	316.1	862.6
Net book value						
As of January 1	920.8	82.5	4.9	7.6	335.2	1'350.9
As of December 31	946.0	73.0	4.0	11.8	312.3	1'347.0

¹⁾ The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

Goodwill impairment test

millions of CHF	2021			
	Goodwill	Headroom	Growth rate residual value	Pretax discount rate
Flow Equipment	416.3	545.0	2.0%	8.3%
Services	222.0	1'208.2	2.0%	10.5%
Chemtech	88.9	684.2	2.0%	9.5%
Discontinued operations	–	–	n/a	n/a
Total goodwill as of December 31	727.3	2'437.4		

millions of CHF	2020			
	Goodwill ¹⁾	Headroom	Growth rate residual value	Pretax discount rate
Flow Equipment	373.6	235.3	2.0%	8.8%
Services	217.2	1'021.0	2.0%	10.2%
Chemtech	89.8	594.8	1.5%	10.3%
Discontinued operations	265.4	1'762.3	2.0%	5.8%
Total goodwill as of December 31	946.0	3'613.5		

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

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

The calculation is based on the budget for the first period (2021), the three-year strategic plan for the subsequent two periods (2022–2023), and a management calculation for the next two periods (2024–2025). The budget and the three-year strategic plan were approved by the Board of Directors 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, 2021, there is no indication for goodwill impairment. Updating the impairment test would not have resulted in a goodwill impairment.

Sensitivity analyses

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

Management identified that for the CGU Flow Equipment a reasonably possible decrease in the terminal growth rate by 5 percentage points could cause the carrying amount to exceed the recoverable amount (2020: decrease by 2.3 percentage points).

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

15 Property, plant and equipment

	2021				
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	366.8	710.2	186.3	89.3	1'352.6
Acquired through business combination	0.5	2.0	0.0	0.1	2.5
Derecognized as discontinued operations	-46.6	-229.2	-16.6	-53.6	-346.0
Additions	5.3	14.5	6.9	52.4	79.2
Disposals	-9.1	-24.4	-7.5	-	-41.0
Reclassifications	10.4	24.4	10.3	-45.1	-
Currency translation differences	5.5	6.3	-0.1	0.6	12.4
Balance as of December 31	332.8	503.8	179.4	43.6	1'059.6
Accumulated depreciation					
Balance as of January 1	169.5	489.8	148.0	-	807.3
Derecognized as discontinued operations	-26.6	-146.4	-7.4	-0.6	-181.0
Additions	11.9	41.1	12.1	-	65.0
Disposals	-5.9	-21.0	-6.9	-	-33.9
Impairments	0.0	1.4	0.1	0.6	2.1
Currency translation differences	1.7	-0.9	5.2	-	6.1
Balance as of December 31	150.7	363.9	151.1	-	665.7
Net book value					
As of January 1	197.3	220.4	38.3	89.3	545.3
As of December 31	182.2	139.8	28.4	43.6	394.0

	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	380.8	756.6	193.9	71.5	1'402.9
Acquired through business combination	2.8	4.2	0.6	5.5	13.1
Additions	10.2	20.1	9.5	58.1	98.0
Disposals	-11.1	-60.3	-11.9	-	-83.3
Reclassifications	6.7	27.7	4.0	-38.5	-
Currency translation differences	-22.6	-38.2	-9.9	-7.4	-78.1
Balance as of December 31	366.8	710.2	186.3	89.3	1'352.6
Accumulated depreciation					
Balance as of January 1	178.4	525.7	154.4	-	858.5
Additions	11.6	42.1	12.2	-	65.9
Disposals	-10.0	-56.5	-10.8	-	-77.4
Reclassifications	-	-	-	-	-
Impairments	0.9	4.6	0.2	-	5.7
Currency translation differences	-11.3	-26.0	-8.0	-	-45.4
Balance as of December 31	169.5	489.8	148.0	-	807.3
Net book value					
As of January 1	202.4	230.9	39.5	71.5	544.4
As of December 31	197.3	220.4	38.3	89.3	545.3

The group performed impairment tests on production machines and facilities, resulting in impairments of CHF 2.1 million as of December 31, 2021 (December 31, 2020: CHF 5.7 million), all of which were charged to other operating expenses.

In 2021, the group sold property, plant and equipment with a book value of CHF 7.1 million for CHF 8.7 million resulting in a net gain of CHF 1.5 million (2020: property, plant and equipment sold for CHF 8.9 million with a book value of CHF 5.9 million, resulting in a net gain of CHF 3.0 million).

The contractual commitments to acquire property, plant and equipment as of December 31, 2021, amounted to CHF 11.8 million (December 31, 2020: CHF 7.0 million).

16 Leases

Lease assets

	2021			
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Balance as of January 1	99.7	8.2	13.4	121.2
Acquired through business combination	3.7	0.1	0.6	4.4
Derecognized as discontinued operations	-45.1	-5.3	-1.2	-51.6
Additions	52.6	5.4	7.7	65.7
Disposals	-1.0	-0.0	-1.5	-2.5
Depreciation	-27.0	-2.6	-6.9	-36.5
Impairments	-2.4	-	-	-2.4
Remeasurements and contract modifications	-8.9	-	-0.1	-9.0
Currency translation differences	-0.0	0.1	-0.2	-0.1
Total lease assets as of December 31	71.7	5.7	11.7	89.2

	2020			
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Balance as of January 1	92.6	5.8	14.1	112.6
Acquired through business combination	2.1	0.0	0.3	2.4
Additions	39.5	5.0	8.0	52.5
Disposals	-1.3	-0.4	-1.3	-3.0
Depreciation	-25.8	-2.1	-8.0	-35.8
Impairments	-3.3	-	-	-3.3
Remeasurements and contract modifications	-0.2	-	1.1	0.9
Currency translation differences	-4.0	-0.3	-0.8	-5.1
Total lease assets as of December 31	99.7	8.2	13.4	121.2

Lease liabilities

	2021		
millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
Balance as of January 1	90.2	29.5	119.7
Acquired through business combination	3.2	1.2	4.4
Derecognized as discontinued operations	-43.5	-7.6	-51.1
Additions	55.8	9.9	65.7
Interest expenses	1.6	0.5	2.1
Cash flow for repayments – principal portion	-9.3	-31.8	-41.1
Cash flow for repayments – interest portion	-1.6	-0.5	-2.1
Remeasurements and contract modifications	-5.8	-2.6	-8.4
Reclassifications	-25.7	25.7	–
Currency translation differences	-0.4	-0.0	-0.4
Total lease liabilities as of December 31	64.5	24.3	88.8

	2020		
millions of CHF	Non-current lease liabilities	Current lease liabilities	Total
Balance as of January 1	82.3	27.4	109.7
Acquired through business combination	1.6	0.9	2.4
Additions	45.9	6.6	52.5
Interest expenses	2.1	0.7	2.8
Cash flow for repayments – principal portion	-9.8	-29.4	-39.2
Cash flow for repayments – interest portion	-2.1	-0.7	-2.8
Remeasurements and contract modifications	-5.3	4.5	-0.8
Reclassifications	-20.6	20.6	–
Currency translation differences	-3.7	-1.2	-4.9
Total lease liabilities as of December 31	90.2	29.5	119.7

Other leasing disclosures

millions of CHF	2021	2020 ¹⁾
Recognized in the income statement		
Expenses relating to short-term leases	-15.2	-17.5
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	-1.5	-1.9
Expenses relating to variable lease payments not included in the lease liability	-2.6	-2.4
Income from subleasing right-of-use assets	0.8	0.5
Interest expenses on lease liabilities	-2.1	-2.3
Total recognized in the income statement continuing operations	-20.6	-23.6
Recognized in the income statement discontinued operations	-2.4	-0.5
Total recognized in the income statement	-23.0	-24.1
Recognized in the statement of cash flows		
Cash flow for short-term, low-value and variable leases (included within cash flow from operating activities)	-19.3	-21.9
Cash flow from subleasing right-of-use assets (included within cash flow from operating activities)	0.8	0.5
Cash flow for repayments of interest on lease liabilities (included within cash flow from operating activities)	-2.1	-2.8
Cash flow for repayments of the principal portion on lease liabilities (included within cash flow from financing activities)	-41.1	-39.2
Total cash outflow	-61.7	-63.3

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

17 Associates

millions of CHF	2021	2020
Balance as of January 1	21.2	10.7
Additions	6.9	6.7
Reclassifications	-	4.4
Share of gains / (losses) of associates	-2.2	-0.7
Dividend payments received	-0.5	-0.0
Currency translation differences	0.2	0.1
Total investments in associates as of December 31	25.5	21.2

On March 31, 2021, the group increased its investment in Tamturbo Plc by CHF 5.4 million. Tamturbo is a manufacturer of oil-free industrial air compressor systems, offering disruptive solutions. It enables cleaner and more energy-efficient compressed air production, complementing the group's low-pressure compressors for wastewater aeration.

On May 4, 2021, the group increased its investment in Worn Again by CHF 1.5 million. Worn Again is developing a unique polymer recycling process leveraging the group's technology to enable the recycling of textiles and polyester packaging.

18 Other financial assets

	2021			
millions of CHF	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized costs	Total
Balance as of January 1	10.4	–	305.3	315.7
Derecognized as discontinued operations	–0.0	–	–0.4	–0.4
Recognized through Applicator Systems division spin-off	–	21.9	434.2	456.2
Additions	0.9	–	5.3	6.2
Repayments	–	–	–733.0	–733.0
Changes in fair value	0.3	0.6	–	0.9
Currency translation differences	–0.7	–	–0.1	–0.8
Balance as of December 31	10.9	22.5	11.3	44.7
– thereof non-current	8.9	–	9.1	18.0
– thereof current	2.0	22.5	2.2	26.7

	2020			
millions of CHF	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized costs	Total
Balance as of January 1	10.3	–	59.8	70.1
Changes in scope of consolidation	–	–	0.1	0.1
Additions	4.0	–	369.7	373.8
Disposals	–	–	–123.3	–123.3
Reclassifications	–4.1	–	–0.4	–4.4
Changes in fair value	0.1	–	–	0.1
Currency translation differences	–0.0	–	–0.7	–0.7
Balance as of December 31	10.4	–	305.3	315.7
– thereof non-current	8.7	–	2.0	10.6
– thereof current	1.7	–	303.3	305.1

Financial assets that belong to the category “financial assets at fair value through profit and loss” include investments in equity securities.

Financial assets that belong to the category “financial assets at fair value through other comprehensive income” include CHF 22.5 million (2020: CHF 0.0 million) investments in medmix shares. Through the Applicator Systems spin-off, the group received one medmix Ltd share for one treasury share held, in total 498'736 shares. The financial investment in medmix Ltd was recognized at its fair value based on the share price of medmix Ltd on September 30, 2021 (a Level 1 hierarchy valuation). Management has designated this investment at fair value through other comprehensive income.

Financial assets at amortized costs increased by CHF 434.2 million through the Applicator Systems division spin-off. Prior to the spin-off, these were intercompany borrowings between the group and

Applicator Systems entities, which following the spin-off were classified as financial assets at amortized costs.

Financial assets at amortized costs include CHF 0.0 million (2020: CHF 302.4 million) investments in fixed-term deposits with maturities between 4 and 12 months at the date of acquisition.

19 Inventories

millions of CHF	2021	2020
Raw materials, supplies and consumables	186.0	197.6
Work in progress	218.3	216.4
Finished products and trade merchandise	71.3	101.1
Total inventories as of December 31	475.6	515.1

In 2021, the group recognized write-downs of CHF 16.5 million (2020: CHF 26.5 million) in the income statement. Total accumulated write-downs on inventories amounted to CHF 85.4 million as of December 31, 2021 (2020: CHF 94.2 million). Material expenses in 2021 amounted to CHF 1'110.1 million (2020: CHF 1'225.0 million).

20 Assets and liabilities related to contracts with customers

millions of CHF	2021	2020 ¹⁾
Sales recognized over time related to ongoing performance obligations	525.5	474.5
Sales recognized over time related to satisfied performance obligations	360.6	393.9
Sales recognized over time	886.0	868.4
Sales recognized at a point in time	2'269.3	2'099.3
Sales	3'155.3	2'967.8
– thereof sales recognized included in the contract liability balance at the beginning of the period	300.5	344.8
– thereof sales recognized from performance obligations satisfied (or partially satisfied) in previous periods	0.6	0.1
Cost of goods sold recognized over time related to ongoing performance obligations	–391.8	–363.5
Cost of goods sold recognized over time related to satisfied performance obligations	–255.5	–289.8
Cost of goods sold recognized over time	–647.3	–653.3
Cost of goods sold recognized at a point in time	–1'561.1	–1'442.1
Cost of goods sold	–2'208.4	–2'095.3
Gross profit recognized over time related to ongoing performance obligations	133.7	111.0
Gross profit recognized over time related to satisfied performance obligations	105.0	104.2
Gross profit recognized over time	238.7	215.2
Gross profit recognized at a point in time	708.2	657.2
Gross profit	946.9	872.4
Contract assets from sales recognized over time relating to ongoing performance obligations	912.5	749.3
Expected loss rate	0.1%	0.1%
Allowance for expected losses	–0.6	–0.6
Netting with contract liabilities	–502.6	–423.9
Contract assets	409.3	324.9
Contract liabilities from costs recognized over time relating to ongoing performance obligations	86.3	46.9
Advance payments from customers relating to point in time contracts	173.3	200.8
Advance payments from customers relating to over time contracts	567.5	476.8
Netting with contract assets	–502.6	–423.9
Contract liabilities	324.5	300.5
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	1'724.1	1'768.7
– thereof expected to be recognized as revenue within 12 months	1'515.8	1'571.4
– thereof expected to be recognized in more than 12 months	208.3	197.3

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Total sales recognized over time increased from CHF 868.4 million in 2020 to CHF 886.0 million in 2021. As a result, contract assets increased by CHF 84.4 million and contract liabilities by CHF 24.0 million.

21 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	2021				2020			
	Expected loss rate	Gross amount	Allowance	Net book value	Expected loss rate	Gross amount	Allowance	Net book value
Not past due	0.2%	411.0	-0.9	410.2	0.1%	419.7	-0.6	419.1
Past due								
1–30 days	0.5%	54.6	-0.3	54.3	0.8%	83.4	-0.7	82.7
31–60 days	3.7%	24.1	-0.9	23.2	6.2%	27.3	-1.7	25.6
61–120 days	3.5%	21.2	-0.7	20.5	4.2%	31.8	-1.3	30.5
>120 days	56.7%	94.7	-53.7	41.0	54.6%	90.5	-49.4	41.1
Total trade accounts receivable as of December 31		605.7	-56.5	549.2		652.7	-53.7	599.1

Allowance for doubtful trade accounts receivable

millions of CHF	2021	2020
Balance as of January 1	53.7	47.1
Derecognized as discontinued operations	-2.0	-
Additions	19.5	22.9
Released as no longer required	-8.5	-10.1
Utilized	-6.7	-4.5
Currency translation differences	0.6	-1.8
Balance as of December 31	56.5	53.7

Approximately 32% (2020: 36%) of the gross amount of trade accounts receivable was past due, and an allowance of CHF 56.5 million (2020: CHF 53.7 million) was recorded. The recoverability of trade accounts receivable is regularly reviewed, and the credit quality of new customers is thoroughly assessed. Due to the large and heterogeneous customer base, the credit risk from individual customers of the group is limited. The allowance for doubtful trade accounts receivable is based on expected credit losses. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP) and oil price development.

Accounts receivable by geographical region

millions of CHF	2021	2020
Europe, the Middle East and Africa	236.1	284.7
– thereof United Kingdom	55.3	62.7
– thereof Saudi Arabia	32.5	27.2
– thereof Germany	15.8	37.4
– thereof Spain	20.4	18.4
– thereof Sweden	14.0	7.1
Americas	111.0	137.2
– thereof USA	70.5	88.4
Asia-Pacific	202.0	177.1
– thereof China	137.7	112.2
Total as of December 31	549.2	599.1

22 Other current receivables and prepaid expenses

millions of CHF	2021	2020 ¹⁾
Taxes (VAT, withholding tax)	62.0	63.9
Derivative financial instruments	7.0	12.1
Other current receivables	18.3	19.2
Total other current receivables as of December 31	87.3	95.2
Prepaid expenses	31.4	31.3
Total prepaid expenses as of December 31	31.4	31.3
Total other current receivables and prepaid expenses as of December 31	118.7	126.5

1) Defined benefit assets are presented as non-current assets and comparative information is re-presented. In 2020, defined benefit assets were presented as "other current receivables and prepaid expenses" under current assets.

For further details on derivative financial instruments, refer to [note 29](#). Other current receivables and prepaid expenses do not include any material positions that are past due or impaired.

23 Cash and cash equivalents

millions of CHF	2021	2020
Cash	858.4	915.8
Cash equivalents	647.0	207.4
Total cash and cash equivalents as of December 31	1'505.4	1'123.2

As of December 31, 2021, the group held restricted cash and cash equivalents of CHF 36.3 million (2020: CHF 17.3 million).

24 Equity

Share capital

thousands of CHF	2021		2020	
	Number of shares	Share capital	Number of shares	Share capital
Balance as of December 31 (par value CHF 0.01)	34'262'370	342.6	34'262'370	342.6

The share capital amounts to CHF 342'623.70, made up of 34'262'370 shares with dividend entitlement and a par value of CHF 0.01. All shares are fully paid in and registered.

Share ownership

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

Shareholders holding more than 3%

	Dec 31, 2021		Dec 31, 2020	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16'728'414	48.82	16'728'414	48.82
FIL Limited	1'114'854	3.25	-	-

Retained earnings

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

Treasury shares

During 2021, the group acquired 207'690 treasury shares for CHF 21.8 million (2020: 285'460 shares for CHF 23.1 million). The total number of shares held by the group as of December 31, 2021, amounted to 534'073 treasury shares (December 31, 2020: 426'467 shares).

The treasury shares are mainly held for the purpose of issuing shares under the management share-based payment programs.

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 controlled entities, whose functional currency differs from the reporting currency of the group. The cumulative amount is reclassified to profit or loss when the net investment is derecognized.

Acquisition of non-controlling interests without a change of control

Reference is made to [note 4](#).

Spin-off Applicator Systems division

Reference is made to [note 7](#).

Transaction costs

Directly attributable transaction costs relating to the spin-off of the Applicator Systems division amounting to CHF 3.4 million have been recognized directly in retained earnings in equity.

Dividends

On April 14, 2021, the Annual General Meeting approved an ordinary dividend of CHF 4.00 (2020: ordinary dividend of CHF 4.00) per share to be paid out of reserves. The dividend was paid to shareholders on April 20, 2021. The total amount of the dividend to shareholders of Sulzer Ltd is CHF 135.4 million (2020: CHF 136.1 million), thereof paid dividends of CHF 91.9 million (2020: CHF 92.6 million) and unpaid dividends of CHF 43.5 million (2020: CHF 43.5 million). The dividend payments to the group's main shareholder, Tiwel Holding AG, could still not be transferred as a result of US sanctions. The unpaid dividends are reflected in the balance sheet position "other current and accrued liabilities" (see [note 28](#)).

The Board of Directors decided to propose to the Annual General Meeting 2022 a dividend for the year 2021 of CHF 3.50 per share (2020: CHF 4.00).

25 Earnings per share

	2021	2020
Net income attributable to shareholders of Sulzer Ltd – continuing operations	138.5	68.0
Net income attributable to shareholders of Sulzer Ltd – discontinued operations	1'278.3	15.6
Net income attributable to shareholders of Sulzer Ltd (millions of CHF)	1'416.7	83.6
Issued number of shares	34'262'370	34'262'370
Adjustment for the average treasury shares held	-474'364	-292'229
Average number of shares outstanding as of December 31	33'788'006	33'970'141
Adjustment for share participation plans	534'195	343'482
Average number of shares for calculating diluted earnings per share as of December 31	34'322'201	34'313'623
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF) as of December 31		
Basic earnings per share	41.93	2.46
– thereof basic earnings per share continuing operations	4.10	2.00
– thereof basic earnings per share discontinued operations	37.83	0.46
Diluted earnings per share	41.28	2.44
– thereof diluted earnings per share continuing operations	4.03	1.98
– thereof diluted earnings per share discontinued operations	37.24	0.46

26 Borrowings

millions of CHF	2021		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'491.3	231.8	1'723.1
Acquired through business combination	0.8	–	0.8
Derecognized as discontinued operations	–	–5.5	–5.5
Cash flow from proceeds	0.0	54.8	54.8
Cash flow for repayments	–0.0	–263.1	–263.1
Changes in amortized costs	0.3	0.1	0.4
Reclassifications	–327.7	327.7	–
Currency translation differences	–0.0	–0.4	–0.4
Total borrowings as of December 31	1'164.6	345.5	1'510.1

millions of CHF	2020		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'199.2	131.0	1'330.2
Cash flow from proceeds	498.9	72.2	571.1
Cash flow for repayments	–0.0	–177.1	–177.1
Changes in amortized costs	0.3	0.1	0.4
Reclassifications	–207.1	207.1	–
Currency translation differences	0.0	–1.6	–1.5
Total borrowings as of December 31	1'491.3	231.8	1'723.1

Borrowings by currency

	2021			2020		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
CHF	1'488.8	98.6	0.8%	1'700.2	98.7	0.9%
INR	6.0	0.4	4.7%	6.0	0.3	5.0%
USD	7.8	0.5	0.9%	5.1	0.3	1.8%
EUR	1.3	0.1	0.3%	10.1	0.6	1.1%
SEK	2.4	0.2	–	–	–	–
Other	3.7	0.2	–	1.7	0.1	–
Total as of December 31	1'510.1	100.0	–	1'723.1	100.0	–

The group arranged the renewal of the CHF 500 million syndicated credit facility with a maturity date of December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders' approval). The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of December 31, 2021, and 2020, the syndicated facility was not used.

Outstanding bonds

millions of CHF	2021		2020	
	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	325.0	325.0	325.1	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.8	290.0	289.6	290.0
0.625% 10/2018–10/2021	–	–	209.9	210.0
1.600% 10/2018–10/2024	249.9	250.0	249.8	250.0
0.800% 09/2020–09/2025	299.5	300.0	299.3	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.6	200.0
Total as of December 31	1'488.8	1'490.0	1'698.4	1'700.0
– thereof non-current	1'163.8	1'165.0	1'488.5	1'490.0
– thereof current	325.0	325.0	209.9	210.0

All the outstanding bonds are traded on SIX Swiss Exchange.

27 Provisions

	2021					
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	53.5	85.3	41.5	12.8	56.3	249.3
Acquired through business combination	0.6	0.6	–	–	0.9	2.1
Derecognized as discontinued operations	–4.0	–2.0	–0.5	–	–7.2	–13.7
Additions	12.2	37.1	11.7	–	69.7	130.7
Released as no longer required	–1.9	–6.9	–2.0	–	–6.1	–16.9
Utilized	–7.0	–20.7	–29.8	–1.1	–56.7	–115.2
Currency translation differences	0.4	0.3	0.1	0.1	–1.4	–0.5
Total provisions as of December 31	53.9	93.8	21.0	11.8	55.4	235.8
– thereof non-current	38.9	4.0	2.5	11.8	10.8	68.0
– thereof current	15.0	89.7	18.5	0.0	44.6	167.8

	2020					
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	54.4	67.6	20.0	14.7	51.9	208.7
Acquired through business combination	–	0.0	–	–	3.5	3.5
Additions	12.2	44.2	58.0	–	65.6	179.9
Released as no longer required	–	–7.5	–2.2	–0.2	–5.6	–15.5
Utilized	–10.1	–15.5	–33.0	–1.4	–54.9	–114.8
Currency translation differences	–3.0	–3.6	–1.4	–0.3	–4.2	–12.5
Total provisions as of December 31	53.5	85.3	41.5	12.8	56.3	249.3
– thereof non-current	37.3	3.3	2.7	12.7	9.7	65.8
– thereof current	16.2	82.0	38.7	0.0	46.6	183.5

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

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

The group recognized restructuring costs for continuing operations of CHF 11.5 million and for discontinued operations of CHF 0.2 million (2020: CHF 54.8 million for continuing operations and CHF 3.2 million for discontinued operations), partly offset by released restructuring provisions of CHF 2.0 million (2020: CHF 2.2 million). Restructuring costs mainly relate to resizing activities in the USA and the United Kingdom. The remaining restructuring provision as of December 31, 2021, is CHF 21.0 million, of which CHF 18.5 million is expected to be utilized within one year.

“Environmental” mainly consists of expected costs related to inherited liabilities.

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to onerous contracts and indemnities, in particular related from divestitures. In

addition, provisions for ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, the group is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although the group expects a large part of the category “Other” to be realized in 2022, by their nature, the amounts and timing of any cash outflows are difficult to predict.

28 Other current and accrued liabilities

millions of CHF	2021	2020 ¹⁾
Liability related to the purchase of treasury shares	98.1	103.4
Outstanding dividend payments	201.1	157.6
Taxes (VAT, withholding tax)	34.3	35.6
Derivative financial instruments	6.7	6.9
Notes payable	26.7	17.0
Contingent consideration	4.0	6.6
Other current liabilities	25.1	29.6
Total other current liabilities as of December 31	395.9	356.6
Contract-related costs	168.3	116.3
Salaries, wages and bonuses	116.8	114.0
Vacation and overtime claims	24.0	20.8
Other accrued liabilities	123.1	116.3
Total accrued liabilities as of December 31	432.3	367.5
Total other current and accrued liabilities as of December 31	828.1	724.1

1) The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

The outstanding dividend payments of CHF 201.1 million (2020: CHF 157.6 million) are explained in [note 24](#).

29 Derivative financial instruments

millions of CHF	2021				2020			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange rate contracts	750.5	7.0	388.6	6.7	672.7	12.1	723.2	6.9
Interest rate swaps	–	0.7	–	0.8	4.9	1.0	4.9	1.2
Total as of December 31	750.5	7.7	388.6	7.5	677.6	13.2	728.0	8.1
– thereof due in <1 year	750.5	7.0	387.9	6.7	672.7	12.1	723.2	6.9
– thereof due in 1–5 years	–	0.7	0.7	0.0	–	–	–	–
– thereof due in >5 years	–	–	–	0.8	4.9	1.0	4.9	1.2

The notional value and the fair value of derivative assets and liabilities include current and non-current derivative financial instruments. The cash flow hedges of the expected future sales were assessed as

highly effective. As of December 31, 2021, net cumulative unrealized gains of CHF 4.3 million (2020: gains of CHF 7.4 million) with deferred tax liabilities of CHF 1.0 million (2020: tax liabilities of CHF 1.5 million) relating to these cash flow hedges were included in the cash flow hedge reserves. In 2021, gains of CHF 0.7 million (2020: losses of CHF 6.3 million) were reclassified from cash flow hedge reserves to profit and loss (thereof gains of CHF 1.8 million to continuing operations and a losses of CHF 1.1 million to discontinued operations, 2020: losses of 6.3 million to continuing operations and CHF 0.0 million to discontinued operations). There was no ineffectiveness that arose from cash flow hedges in 2021 (2020: CHF 0.0 million). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The hedged, highly probable forecast transactions denominated in foreign currencies are mostly expected to occur at various dates during the next 12 months. Gains and losses recognized in the cash flow hedge reserve (cash flow hedges) in equity on forward foreign exchange contracts as of December 31, 2021, are recognized either in sales, cost of goods sold or other operating income/ expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (5 to 10 years).

The group enters into derivative financial instruments under enforceable master netting arrangements. These agreements do not meet the criteria for offsetting derivative assets and derivative liabilities in the consolidated balance sheet. As of December 31, 2021, the amount subject to such netting arrangements was CHF 3.4 million (2020: CHF 5.0 million). Considering the effect of these agreements, the amount of derivative assets would reduce from CHF 7.7 million to CHF 4.3 million (2020: from CHF 13.2 million to CHF 8.2 million), and the amount of derivative liabilities would reduce from CHF 7.5 million to CHF 4.1 million (2020: from CHF 8.1 million to CHF 3.1 million).

30 Contingent liabilities

millions of CHF	2021	2020
Guarantees in favor of third parties	43.0	11.0
Total contingent liabilities as of December 31	43.0	11.0

As of December 31, 2021, guarantees provided to third parties amounted to CHF 43.0 million (2020: CHF 11.0 million), whereof CHF 42.0 million were related to disposed businesses (2020: CHF 10.0 million) and CHF 1.0 million to general business activities (2020: CHF 1.0 million). All guarantees will expire in 2022.

Related to the spin-off of medmix, the group may be held liable by creditors of medmix Ltd who may be able to enforce certain claims existing at the time of the spin-off or having their basis prior to the spin-off against Sulzer Ltd.

31 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	2021	2020 ¹⁾
Restricted share unit plan	1.3	1.2
Performance share plan continuing operations	19.5	12.5
Performance share plan discontinued operations	1.1	0.5
Total charged to personnel expenses	21.9	14.2

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Restricted share unit plan settled in Sulzer shares

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

Given the spin-off of the Applicator Systems division, the group neutralized the consequences from the demerger for the restricted share plans. The number of originally granted RSU was recalculated to neutralize the effect of the spin-off on the share price, resulting in the same fair value before and after the spin-off and did not impact the share-based payments expense.

Restricted share units

Grant year	2021	2020	2019	2018	2017	Total
Outstanding as of January 1, 2020	-	-	10'551	5'522	2'476	18'549
Granted	-	17'715	-	-	-	17'715
Exercised	-	-	-3'517	-2'761	-2'476	-8'754
Forfeited	-	-	-	-	-	-
Outstanding as of December 31, 2020	-	17'715	7'034	2'761	-	27'510
Outstanding as of January 1, 2021	-	17'715	7'034	2'761	-	27'510
Granted	10'866	-	-	-	-	10'866
APS division spin-off	5'766	4'910	1'415	-	-	12'091
Exercised	-	-8'461	-4'371	-2'761	-	-15'593
Forfeited	-	-	-	-	-	-
Outstanding as of December 31, 2021	16'632	14'164	4'078	-	-	34'874
Average fair value at grant date in CHF	106.32	65.22	97.76	118.20	98.00	

Performance share plan settled in Sulzer shares

This long-term incentive plan covers the members of the Executive Committee and the members of the Sulzer Management Group. Performance share units (PSU) are granted annually, depending on the organizational position of the employee.

Vesting of the PSUs 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 Sulzer's total return to shareholders (TSR), compared to a selected group of peer companies (weighted 50%).

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

Given the spin-off of the Applicator Systems division, the group neutralized the consequences from the demerger for the PSP. The number of originally granted PSUs was recalculated to neutralize the effect of the spin-off on share price, resulting in the same fair value before and after the spin-off. The target values of the Applicator Systems business for the PSP 2019, PSP 2020 and PSP 2021, as derived from their respective three-year financial plans, are deducted for the Sulzer group. As a result, the target values for the group comprise only what remain as continuing businesses within the group. Furthermore, for each non-market performance condition (i.e., operational profit growth and operational ROCEA) of PSP 2019, PSP 2020 and PSP 2021, the performance curve depicting the gradient formed from the threshold, target and cap performance level remains unchanged.

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

Grant year	2021	2020	2019	2018	2017
Fair value at grant date	124.95	78.18	115.95	143.62	116.02
Share price at grant date	101.12	76.05	92.46	120.60	104.80
Expected volatility	34.68%	37.45%	29.64%	29.12%	25.10%
Risk-free interest rate	-0.58%	-0.64%	-0.57%	-0.42%	-0.56%

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

Performance share units – terms of awards

Grant year	2021	2020	2019	2018	2017
Number of awards granted	90'527	151'422	112'857	74'467	76'818
Grant date	April 1, 2021	June 1, 2020	April 1, 2019	July 1, 2018	April 1, 2017
Performance period for cumulative operational profit	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20	01/17–12/19
Performance period for TSR	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20	01/17–12/19
Fair value at grant date in CHF	124.95	78.18	115.95	143.62	116.02

Performance share units

Grant year	2021	2020	2019	2018	2017	Total
Outstanding as of January 1, 2020	–	–	110'639	70'163	66'837	247'639
Granted	–	151'422	–	–	–	151'422
Exercised	–	–999	–3'831	–4'748	–66'837	–76'415
Forfeited	–	–3'564	–5'044	–2'158	–	–10'766
Outstanding as of December 31, 2020	–	146'859	101'764	63'257	–	311'880
Outstanding as of January 1, 2021	–	146'859	101'764	63'257	–	311'880
Granted	90'527	–	–	–	–	90'527
APS division spin-off	44'801	74'680	53'141	–	–	172'622
Exercised	–553	–3'829	–2'088	–63'257	–	–69'727
Forfeited	–7'284	–7'516	–1'008	–	–	–15'808
Outstanding as of December 31, 2021	127'491	210'194	151'809	–	–	489'494

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

Key management compensation

thousands of CHF	2021				2020			
	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total
Board of Directors	1'444	1'155	263	2'862	1'396	1'155	257	2'808
Executive Committee	8'186	4'486	1'938	14'609	7'445	5'238	1'965	14'648

As of December 31, 2021, there are no outstanding loans with members of the Board of Directors or the Executive Committee. No shares have been granted to members of the Board of Directors, the Executive Committee, or related persons, with the exception of shares granted in connection with equity-settled plans and service awards.

Related parties

As of December 31, 2021, open payables with related parties amounted to CHF 299.4 million (2020: CHF 261.0 million), thereof CHF 98.1 million related to the purchase of treasury shares, CHF 201.1

million outstanding dividend payments (see [note 24](#) and [note 28](#)) and CHF 0.2 million related to other payables. Sales with related parties amounted to CHF 0.1 million (2020: CHF 0.0 million). The other operating income in 2021 amounted to CHF 3.1 million (2020: CHF 0.0 million) and the operating expenses to CHF 1.3 million (2020: CHF 0.8 million). As of December 31, 2021, open trade and other receivables amounted to CHF 1.9 million (2020: CHF 0.0 million). The interest income in 2021 amounted to CHF 0.1 million (2020: CHF 0.0 million) with open other financial assets as of December 31, 2021, of CHF 3.4 million (2020: 0.0 million) originating from the medmix spin-off. Transactions with related parties are mainly with medmix since the spin-off at September 20, 2021. These transactions comprise primarily charges for corporate support functions, centrally procured indirect spend utilized by medmix, as well as interest income.

Sales with associates in 2021 amounted to CHF 4.8 million (2020: CHF 1.1 million) with open receivables of CHF 1.6 million (2020: CHF 0.5 million). The operating expenses amounted to CHF 0.7 million (2020: CHF 0.2 million) with open payables of CHF 0.4 million (2020: CHF 0.0 million, see [note 17](#) for details on the investments in associates).

All related party transactions are priced on an arm's-length basis.

33 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 3.8 million (2020: CHF 3.6 million). Additional services provided by the group auditor amounted to a total of CHF 1.5 million (2020: CHF 1.8 million). This amount includes CHF 0.2 million (2020: CHF 0.5 million) for tax services and CHF 1.3 million (2020: CHF 1.3 million) for other services.

34 Key accounting policies and valuation methods

34.1 Basis of preparation

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

- financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income; 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 obligations (see note 34.20 a).

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

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

Rounding

Due to rounding, numbers presented throughout the consolidated financial statements 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.

34.2 Change in accounting policies

a) Standards, amendments and interpretations which were effective for 2021

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

Software as a service (SaaS) arrangements

The group previously capitalized costs incurred in configuring or customizing software as a service (SaaS) arrangements as intangible assets, as the group considered that it would benefit from these implementation costs over the contract term of the SaaS arrangements. Following the IFRS Interpretations Committee (IFRIC) agenda decision on configuration or customization costs in a cloud computing arrangement, which was published in April 2021, the group has reconsidered its accounting treatment and adopted the treatment set out in this IFRIC agenda decision. The revised accounting policy capitalizes these costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not meet these criteria are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customize the cloud-based software for the group, in which case they are recognized as a prepayment for services and amortized over the expected period of use of the SaaS arrangement.

As a result of this change in accounting policy, the group completed a review of the existing intangible assets portfolio and there was no material impact to software intangible assets because of the change in accounting policy.

b) Standards, amendments and interpretations issued but not yet effective, which the group decided not to adopt early in 2021

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.

34.3 Consolidation

a) Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree and the equity interest issued by the group. Any goodwill arising is tested annually for impairment. Any gain on a bargain

purchase is recognized in the income statement immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

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

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

b) Subsidiaries

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

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

c) Non-controlling interests

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

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

d) Associates and joint ventures

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

e) Transactions eliminated on consolidation

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

34.4 Segment reporting

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

34.5 Foreign currency translation**a) Functional and presentation currency**

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

The following table shows the major currency exchange rates for the reporting periods 2021 and 2020:

CHF	2021		2020	
	Average rate	Year-end rate	Average rate	Year-end rate
EUR 1	1.08	1.03	1.07	1.08
GBP 1	1.26	1.23	1.20	1.20
USD 1	0.91	0.91	0.94	0.88
CNY 100	14.17	14.35	13.60	13.49
INR 100	1.24	1.23	1.27	1.21

b) Transactions and balances

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

c) Subsidiaries

The results and balance sheet positions of all the subsidiaries (excluding the ones with hyperinflationary economy) that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

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

Translation differences resulting from consolidation are taken to other comprehensive income. In the event of a sale or liquidation of foreign subsidiaries, 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.

34.6 Intangible assets

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

a) Goodwill

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

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

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

b) Trademarks and licenses

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

c) Research and development

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

d) Computer software

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

e) Customer relationships

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

34.7 Property, plant and equipment

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

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

The useful lives are as follows:

Buildings: 20–50 years

Machinery: 5–15 years

Technical equipment: 5–10 years

Other non-current assets: max. 5 years

34.8 Impairment of property, plant and equipment and intangible assets

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

34.9 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.

34.10 Financial assets

Financial assets are classified into the following three categories:

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

For debt instruments, classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. The group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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 at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line items in the statement of profit or loss.

Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss

arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established. 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.

34.11 Derivative financial instruments and hedging activities

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion on the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

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

34.12 Offsetting financial assets and liabilities

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

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

34.14 Trade receivables

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

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

34.15 Cash and cash equivalents

Cash and cash equivalents comprise bills, postal giro 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.

34.16 Share capital

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

34.17 Trade payables

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

34.18 Borrowings

Financial debt is stated at fair value when initially recognized, after recognition of transaction costs. In subsequent periods, it is valued at amortized cost. Any difference between the amount borrowed (after deduction of transaction costs) and the repayment amount is reported in the income statement over the duration of the loan using the effective interest method. Borrowings are classified as current

liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

34.19 Current and deferred income taxes

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

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

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

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

34.20 Employee benefits

a) Defined benefit plans

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

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

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

Net interest expenses and other expenses related to defined benefit plans are recognized in the income statement.

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

b) Defined contribution plans

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

c) Other employee benefits

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

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

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

34.21 Share-based compensation

The group operates two equity-settled share-based payment plans. A performance share plan (PSP) covers the members of the Executive Committee and starting 2016, also the members of the Sulzer Management Group. A restricted share plan (RSP) covers the members of the Board of Directors and until 2015, also covered the members of the Sulzer Management Group.

a) Performance share plan (PSP)

The fair value of the employee services received in exchange for the grant of the performance share units (PSU) is recognized as a personnel expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share units granted, excluding the impact of any non-market vesting conditions (e.g., profitability targets). At each balance sheet date, the group reassesses its estimates of the number of share units that are expected to vest. It recognizes the impact of the reassessment of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The fair value of PSUs granted is measured by external valuation specialists based on a Monte Carlo simulation.

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

b) Restricted share plan (RSP)

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

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

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

34.22 Provisions

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

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

34.23 Sales

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

The core principle is that sales 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.

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

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

There are two methods to recognize sales:

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

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.

Over time method (OT)

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

- The customer simultaneously receives/consumes as the group performs.
- The group creates/enhances an asset and the customer controls it during this process.
- The created asset has no alternative use for the customer 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 group has construction contracts without right to payment clauses in cases of termination for convenience by the customer. The group applies the point in time method to recognize sales for such contracts.

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 sales, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated sales 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 sales, 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.

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. Sales 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.

Contract classification per division

Sales are measured based on the consideration specified in a contract with a customer. Sales are recognized over time if any of the conditions above is met. If none of the criteria for satisfying a performance obligation over time are met, sales 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 sales recognition method	
		Created asset has no alternative use for the customer 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	Created asset has alternative use for the customer 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
Flow Equipment			
	– Standard products made to stock		
	– New pumps		
Standard business	– Spare parts	n/a	PIT
	– Preconfigured products		
Configured business	– Assembled and packaged on customer order	OT	PIT
	– Highly customized products		
Engineered business	– Engineered to order according to customer's specifications	OT	PIT
Services			
	– Turbo		
	– Electromechanical		
Repair	– Pumps	OT	PIT
	– Gas turbine components		
	– Coils		
	– Pump spares		
	– Retrofits		
	– Off-the-shelf articles or manufactured on customer order		
Parts	– Others (tool container, remote monitoring, other spare parts)	OT	PIT
	– Overhaul / field service		
	– Site setup		
	– Disassembly / reassembly		
	– Installation / commissioning		
	– Technical support		
	– Refurb / retrofit		
	– Relocation		
	– Long-term service agreement (LTSA) / long-term parts agreement (LTPA)		
Services	– Customized services according to customer's specifications	OT	PIT or OT for field services (asset that the customer controls)
Chemtech			
	– Off-the-shelf articles of stock materials		
Rush orders	– Articles purchased for sale	n/a	PIT
	– Standard configured to customer's requirements		
	– Tailor-made to customer's requirements		
	– Replacement of components		
	– Standard mechanical engineering		
	– Supervision		
	– Installation workforce		
	– Combined order for Separation Technology (ST) and Tower Field Services (TFS)		
Components		OT	PIT
	– Studies		
	– Engineering		
	– Site project management		
	– Supervision		
	– Key equipment		PIT or
	– Installation		OT for certain service contracts
Services / engineered solutions	– Procurement of equipment, spare parts	OT	where the customer simultaneously receives the service

Disaggregation of sales

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

- Divisions (group's reportable segments)
- Timing of sales recognition (sales recognition method: over time, point in time) and divisions
- Market segments and divisions
- Geographical regions and divisions

Payment terms

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

If the group's general terms and conditions apply for a contract, the group is entitled to issue the invoices as follows: for one-third of the contract value within five days after effective date (date when the purchase order has been accepted by the supplier, or the date of the latest signing), for one-third after expiration of half of the delivery time, and for one-third within 45 days prior to delivery. Payments for prices calculated on a time basis are invoiced on a biweekly basis or after completion of the scope of supply, whichever occurs first.

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

Variable considerations

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

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

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

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

If the group fails to meet the delivery date for more than two calendar weeks due to reasons for which the group is directly responsible, and provided that the purchase order expressly provides liquidated

damages for such failure, the purchaser is entitled to demand that the group pay liquidated damages at the rate stated in the purchase order.

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

34.24 Assets and disposal groups held for sale

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

34.25 Dividend distribution

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

34.26 Discontinued operations

A discontinued operation is a component of the group's business, which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

35 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated financial statements for issue on February 17, 2022. They are subject to approval at the Annual General Meeting, which will be held on April 6, 2022. At the time when these consolidated financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any events that would materially affect these financial statements.

36 Major subsidiaries

December 31, 2021

	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research and development	Production and engineering	Sales	Service
Europe								
Switzerland	Sulzer Chemtech AG, Winterthur	100%	CHF 10'000'000	•	•	•	•	•
	Sulzer Markets and Technology AG, Winterthur	100%	CHF 4'000'000	•				
	Sulzer Management AG, Winterthur	100%	CHF 500'000	•				
	Tefag AG, Winterthur	100%	CHF 500'000	•				
	Sulzer International AG, Winterthur	100%	CHF 100'000	•				
Belgium	Sulzer Pumps Wastewater Belgium N.V./S.A., St. Stevens-Woluwe	100%	EUR 123'947	•			•	•
	Ensival Moret Belgium SA, Thimister-Clermont	100%	EUR 7'400'000	•				
Czech Republic	Sulzer Chemtech Czech Republic s.r.o., Brno	100%	CZK 28'053'000	•		•	•	•
Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	100%	EUR 3'000'000	•	•	•	•	•
	Sulzer Pumps Wastewater Germany GmbH, Bonn	100%	EUR 300'000	•			•	•
	Sulzer Chemtech GmbH, Krefeld	100%	EUR 300'000	•			•	•
	Nordic Water GmbH, Neuss ¹⁾	100%	EUR 25'565		•	•	•	•
Denmark	Sulzer Pumps Denmark A/S, Farum	100%	DKK 501'000	•			•	•
Finland	Sulzer Pumps Finland Oy, Kotka	100%	EUR 16'000'000	•	•	•	•	•
France	Sulzer Pompes France SASU, Buchelay	100%	EUR 6'600'000	•	•	•	•	•
	Sulzer Ensival Moret France SASU, Saint-Quentin	100%	EUR 10'000'000	•		•	•	•
UK	Sulzer Pumps (UK) Ltd., Leeds	100%	GBP 9'610'000		•	•	•	•
	Sulzer Chemtech (UK) Ltd., Stockton on Tees	100%	GBP 100'000				•	•
	Sulzer Electro Mechanical Services (UK) Ltd., Birmingham	100%	GBP 48'756			•	•	•
	Sulzer (UK) Holdings Ltd., Leeds	100%	GBP 6'100'000	•				
	Alba Power Ltd., Aberdeen	100%	GBP 1		•	•	•	•
Ireland	Sulzer Pump Solutions Ireland Ltd., Wexford	100%	EUR 2'222'500	•	•	•	•	•
	Sulzer Finance (Ireland) Limited, Wexford	100%	EUR 100					
Italy	Sulzer Italy S.r.l., Casalecchio di Reno	100%	EUR 600'000	•			•	
Norway	Sulzer Pumps Wastewater Norway A/S, Sandvika	100%	NOK 502'000	•			•	•
	Sulzer Pumps Norway A/S, Klepp Stasjon	100%	NOK 500'000	•			•	•
	Nordic Water Products A/S, Straume ¹⁾	100%	NOK 150'000				•	•
The Netherlands	Sulzer Pumps Wastewater Netherlands B.V., Maastricht-Airport	100%	EUR 15'882				•	•
	Sulzer Chemtech Nederland B.V., Breda	100%	EUR 1'134'451				•	•
	Sulzer Turbo Services Venlo B.V., Lomm	100%	EUR 443'940		•	•	•	•
	Sulzer Netherlands Holding B.V., Lomm	100%	EUR 10'010'260	•				
	Sulzer Capital B.V., Lomm	100%	EUR 50'000					
Austria	Sulzer Austria GmbH, Wiener Neudorf	100%	EUR 350'000	•			•	•
Poland	Sulzer Turbo Services Poland Sp. z o.o., Lublin	100%	PLN 2'427'000			•		•
	Sulzer Pumps Wastewater Poland Sp. z o.o., Warsaw	100%	PLN 800'000	•			•	•
Romania	Sulzer GTC Technology Romania S.R.L., Bucharest	100%	RON 1'345'070	•		•		
Russia	AO Sulzer Pumps, St. Petersburg	100%	RUB 24'000'000	•			•	

	Sulzer Pumps Rus LLC, Moscow	100%	RUB 6'000'600	•			•	•
	Sulzer Turbo Services Rus LLC, Moscow	100%	RUB 14'705'882	•				•
	Sulzer Chemtech LLC, Serpukhov	100%	RUB 55'500'000	•		•	•	•
Sweden	Sulzer Pumps Sweden AB, Vadstena	100%	SEK 3'000'000	•	•	•	•	•
	Nordic Water Products AB, Mölndal ¹⁾	100%	SEK 200'000		•	•	•	•
Spain	Sulzer Pumps Spain S.A., Madrid	100%	EUR 1'750'497	•		•	•	•
	Sulzer Pumps Wastewater Spain S.A., Rivas Vaciamadrid	100%	EUR 2'000'000				•	•
North America								
Canada	Sulzer Pumps (Canada) Inc., Burnaby	100%	CAD 2'771'588			•	•	•
	Sulzer Chemtech Canada Inc., Edmonton	100%	CAD 1'000'000	•		•	•	•
	Sulzer Rotating Equipment Services (Canada) Ltd., Edmonton	100%	CAD 7'000'000	•		•	•	•
	JWC Environmental Canada ULC, Burnaby	100%	CAD 1'832'816			•	•	
USA	Sulzer Pumps (US) Inc., Houston, Texas	100%	USD 40'381'108		•	•	•	•
	Sulzer Pumps Solutions Inc., Easley, South Carolina	100%	USD 25'589'260			•	•	•
	Sulzer Pump Services (US) Inc., Houston, Texas	100%	USD 1'000			•	•	•
	Sulzer Chemtech USA, Inc., Tulsa, Oklahoma	100%	USD 47'895'000		•	•	•	•
	Sulzer Turbo Services Houston Inc., La Porte, Texas	100%	USD 18'840'000			•	•	•
	Sulzer Turbo Services New Orleans Inc., Belle Chasse, Louisiana	100%	USD 4'006'122			•	•	•
	Sulzer Electro-Mechanical Services (US) Inc., Pasadena, Texas	100%	USD 12'461'286			•	•	•
	Sulzer US Holding Inc., Houston, Texas	100%	USD 310'335'340	•				
	JWC Environmental Inc., Santa Ana, California	100%	USD 220'818'520		•	•	•	•
	Sulzer GTC Technology US Inc., Houston, Texas	100%	USD 1		•	•	•	•
Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	100%	MXN 4'887'413	•		•	•	•
	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	100%	MXN 231'345'500	•		•	•	•
Central and South America								
Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	100%	ARS 9'730'091	•		•	•	•
Brazil	Sulzer Brasil S.A., Jundiaí	100%	BRL 81'789'432	•		•	•	•
	Sulzer Pumps Wastewater Brasil Ltda., Jundiaí	100%	BRL 37'966'785	•		•	•	•
	Sulzer Services Brasil, Triunfo	100%	BRL 40'675'856	•				•
Chile	Sulzer Bombas Chile Ltda., Vitacura	100%	CLP 46'400'000	•			•	
Colombia	Sulzer Pumps Colombia S.A.S., Cota	100%	COP 7'142'000'000	•			•	•
Africa								
South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	75%	ZAR 100'450'000		•	•	•	•
	Sulzer (South Africa) Holdings (Pty) Ltd., Elandsfontein	100%	ZAR 16'476	•		•	•	•
Morocco	Sulzer Maroc S.A.R.L. A.U., Nouaceur	100%	MAD 3'380'000	•				•
Nigeria	Sulzer Pumps (Nigeria) Ltd., Lagos	100%	NGN 5'000'000	•			•	•
Zambia	Sulzer Zambia Ltd., Chingola	100%	ZMK 15'000'000	•			•	•
Middle East								
United Arab Emirates	Sulzer Pumps Middle East FZCO, Dubai	100%	AED 500'000	•			•	•
	Sulzer Rotating Equipment FZE, Dubai	100%	USD 272'000				•	•
Saudi Arabia	Sulzer Saudi Pump Company Limited, Riyadh	75%	SAR 44'617'000	•		•	•	•
Bahrain	Sulzer Chemtech Middle East W.L.L., Al Seef	100%	BHD 50'000	•			•	

Asia								
India	Sulzer Pumps India Pvt. Ltd., Navi Mumbai	100%	INR 24'893'500	•		•	•	•
	Sulzer India Pvt. Ltd., Pune	100%	INR 34'500'000	•		•	•	•
	Sulzer Tech India Pvt. Ltd., Navi Mumbai	100%	INR 100'000	•		•		
Indonesia	PT. Sulzer Indonesia, Purwakarta	95%	IDR 28'234'800'000	•		•	•	•
Japan	Sulzer Daiichi K.K., Tokyo	60%	JPY 30'000'000	•			•	
	Sulzer Japan Ltd., Tokyo	100%	JPY 30'000'000	•		•	•	•
Malaysia	Sulzer Pumps Wastewater Malaysia Sdn. Bhd., Selangor Darul Ehsan	100%	MYR 1'000'000	•			•	
Singapore	Sulzer Singapore Pte. Ltd., Singapore	100%	SGD 1'000'000	•		•	•	•
South Korea	Sulzer Korea Ltd., Seoul	100%	KRW 222'440'000	•			•	
	Sulzer GTC Technology Korea Co. Ltd., Seoul	100%	KRW 4'870'000'000	•		•	•	•
Thailand	Sulzer (Thailand) Co., Ltd., Rayong	100%	THB 25'000'000	•				•
People's Republic of China	Sulzer Dalian Pumps & Compressors Ltd., Dalian	100%	CHF 21'290'000	•		•	•	•
	Sulzer Pumps Suzhou Ltd., Suzhou	100%	CNY 282'069'324	•		•	•	•
	Sulzer Pump Solutions (Kunshan) Co., Ltd., Kunshan	100%	USD 5'760'000	•		•		
	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	100%	CNY 54'267'608	•	•	•	•	•
	Sulzer Pumps Wastewater Shanghai Co. Ltd., Shanghai	100%	USD 1'550'000	•			•	•
	Sulzer GTC (Beijing) Technology Inc., Beijing	100%	USD 150'000	•	•	•	•	•
	Nordic Water Products (Beijing) Co., Ltd., Beijing ¹⁾	100%	USD 800'000				•	•
Australia								
	Sulzer Australia Pty Ltd., Brisbane	100%	AUD 5'308'890				•	•
	Sulzer Australia Holding Pty Ltd., Brendale	100%	AUD 34'820'100	•				

1) Acquired in 2021.



Statutory Auditor’s Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sulzer Ltd and its subsidiaries (the Group), which comprise the “[Consolidated balance sheet](#)” as at December 31, 2021 and the “[Consolidated income statement](#)”, “[Consolidated statement of comprehensive income](#)”, “[Consolidated statement of changes in equity](#)” and “[Consolidated statement of cash flows](#)” for the year then ended, and “[Notes to the consolidated financial statements](#)”, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities



Accounting for warranties and other costs to fulfill contract obligations



Valuation of goodwill

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

Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities



Key Audit Matter

As per December 31, 2021, revenue from customer contracts amounts to CHF 3'155.3 million, contract assets amount to CHF 409.3 million, contract liabilities to CHF 324.5 million, the balance of work in progress (WIP) amounts to CHF 218.3 million and trade accounts receivable amount to CHF 549.2 million.

Under IFRS 15 revenue is recognised when a performance obligation is satisfied by transferring control over a promised good or service.

Revenue and related costs from long-term customer orders (construction and service contracts) are recognized over time (OT), provided they fulfill the criteria of International Financial Reporting Standards, specifically having the right to payment in case of termination for convenience. The OT method allows recognizing revenues by reference to the stage of completion of the contract. The application of the OT method is complex and requires judgments by management when estimating the stage of completion, total project costs and the costs to complete the work. Incorrect assumptions and estimates can lead to revenue being recognized in the wrong reporting period or in amounts inadequate to the actual stage of completion, and therefore to an incorrect result for the period.

During order fulfillment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated project costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision.

Regarding the projects recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.

Our response

Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts.

For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions.

These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their project risk assessments and inspected meeting minutes from project reviews performed by management to identify relevant changes in their assessments and estimates. We challenged these assessments and estimates for OT projects including comparing estimated project financials between reporting periods and assessed the historical accuracy of these estimates.

On a sample basis, we reconciled revenue to the supporting documentation, validated estimates of costs to complete, tested the mathematical accuracy of calculations and the adequacy of project accounting. We also examined costs included within contract assets on a sample basis by verifying the amounts back to source documentation and tested their recoverability through comparing the net realizable values as per the agreements with estimated cost to complete.

We further performed testing for PIT projects on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off.

For further information on customer contracts — accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities refer to the following:

- [Note 19](#) to the consolidated financial statements
- [Note 20](#) to the consolidated financial statements
- [Note 21](#) to the consolidated financial statements

Accounting for warranties and other costs to fulfill contract obligations



Key Audit Matter

As per December 31, 2021, provisions in the amount of CHF 93.8 million are held on the balance sheet to cover expected costs arising from product warranties. Additional expected costs to fulfill contract obligations and for onerous contracts are recorded as other provisions.

Sulzer is exposed to claims from customers for not meeting contractual obligations. Remedying measures, addressing technical shortcomings or settlement negotiations with clients may take several months and cause additional costs. The assessment of these costs to satisfy order related obligations contains management assumptions with a higher risk of material misjudgment.

Our response

Based on our knowledge gained through contract and project reviews, we assessed the need for and the accuracy of provisions and deductions in revenue for variable consideration for expected liquidated damages.

We further challenged management’s contract risk assessments by enquiries, inspection of meeting minutes and review of correspondence with customers where available.

Where milestones or contract specifications were not met, we challenged the recognition and appropriateness of variable consideration and provisions by recalculating the amounts, obtaining written management statements and evidence from supporting documents such as correspondence with clients or legal assessments of external counsels where available.

We also took into account the historical accuracy of estimates made by management through retrospective reviews. In order to gain a complete and clear understanding of legal matters we further performed enquiry procedures with the office of Sulzer’s General Counsel and reviewed relevant documents.

For further information on accounting for warranties and other costs to fulfill contract obligations to the following:

- [Note 27](#) to the consolidated financial statements

Valuation of goodwill



Key Audit Matter

As at December 31, 2021, Sulzer’s balance sheet included goodwill amounting to CHF 727.3 million.

Goodwill has to be assessed for impairment on a yearly basis by management using a discounted cash flow model to individually determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied as well as the determination of the cash generating units (CGUs) for the goodwill impairment testing.

The goodwill balance is significant compared to total assets and there are a number of judgments involved in performing the impairment test. Furthermore, the economic conditions continue to be challenging in some of Sulzer’s key markets, specifically the oil and gas sector. With a significant share in this market segment, Sulzer’s financial performance is affected by the volatile oil prices, triggered by political tensions, and the resulting subdued demand and price pressure from its oil and gas customers. These effects were accompanied by the COVID-19 pandemic heavily affecting the global economy in 2021.

Our response

As a first step, we assessed the appropriateness of the CGUs identified. Our audit procedures then included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures.

We thereby focused on those CGUs with the most significant goodwill balances or where reasonably possible changes of key assumptions would lead to an impairment and performed the following procedures amongst others:

- gaining an understanding and assessing the reasonableness of business plans by comparing them to prior year’s assumptions;
- comparing business plan data against budgets and three-year plans as approved by management and board of directors;
- recalculating the value in use calculations;
- challenging the robustness of the key assumptions used to determine the value in use, including the allocation of goodwill to the adequate CGUs, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;
- conducting sensitivity analysis, taking into account the historical forecasting accuracy; and
- comparing the sum of calculated values in use to the market capitalization of the Group.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on valuation of goodwill refer to the following:

- [Note 14](#) to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of the company, the remuneration report and our auditor’s reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 17, 2022

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Supplementary information

Alternative performance measures (APM)

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

Definition of alternative performance measures (APM)

Order intake from continuing operations

Order intake from continuing operations includes all registered orders from continuing operations of the period that will be recorded or have already been recorded as sales. The reported value of an order corresponds to the undiscounted value of sales that the group expects to recognize following delivery of goods or services subject to the order, less any trade discounts and excluding value added or sales tax. Adjustments, corrections and cancellations resulting from updating the order backlog are respectively included in the amount of the order intake.

Order intake gross margin from continuing operations

The order intake gross margin from continuing operations is defined as the expected gross profit of order intake from continuing operations divided by order intake from continuing operations.

Order backlog from continuing operations

Order backlog from continuing operations represents the undiscounted value of sales the group expects to generate from orders from continuing operations on hand at the end of the reporting period.

Return on sales (ROS) from continuing operations

ROS from continuing operations measures the profitability from continuing operations relative to sales. ROS from continuing operations is calculated by dividing EBIT from continuing operations by sales.

Operational profit from continuing operations

Operational profit from continuing operations is used to determine the profitability of the business, without considering impairments, restructuring expenses and other non-operational items and before interest, taxes and amortization. Other non-operational items include significant acquisition-related expenses, gains and losses from sale of businesses or real estate, and certain non-operational items that are non-recurring or do not occur in similar magnitude.

Operational profitability from continuing operations

Operational profitability from continuing operations measures how the group turns sales from continuing operations into operating profits. Operational profitability is calculated by dividing operational profit from continuing operations by sales from continuing operations.

Operational ROCEA (operational return on capital employed adjusted)

Operational ROCEA measures how the group generates operational profits from its capital employed. Operational ROCEA is calculated by dividing operational profit by average capital employed.

Capital employed

Capital employed refers to the amount of capital investment the group uses to operate and provides an indication of how the group is investing its money. For the calculation of the capital employed, please refer to the reconciliation statement below.

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

The group uses EBITDA to determine the net debt/EBITDA ratio. EBITDA is defined as EBIT before depreciation and amortization.

Core net income from continuing operations

Core net income from continuing operations is used to determine the dividend proposal. Sulzer's long-term target is to maintain a dividend payout ratio of approximately 40% to 70% of core net income from continuing operations with due consideration to liquidity and funding requirements as well as continuity. Core net income from continuing operations is defined as net income from continuing operations before tax-adjusted effects on restructuring, amortization, impairments and non-operational items.

Free cash flow (FCF)

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

Net debt

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

Net debt/EBITDA ratio

Net debt/EBITDA is a ratio measuring the amount of income generated and available to pay down debt before covering interest, taxes, depreciations and amortization expenses. The net debt/EBITDA ratio is used as a measurement of leverage. It is calculated as net debt divided by EBITDA.

Gearing ratio (borrowings-to-equity ratio)

The gearing ratio compares the borrowings and lease liabilities relative to the equity. The gearing ratio represents the group's leverage, comparing how much of the business's funding comes from borrowed funds (lenders) versus company owners (shareholders). The gearing ratio is defined as borrowings and lease liabilities divided by equity attributable to shareholders of Sulzer Ltd.

Currency-adjusted growth

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

Organic growth

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

The impact of the organic growth is determined as follows:

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

Reconciliation statements for alternative performance measures (APM)

For reconciliation statements of operational profit, operational profitability, core net income and free cash flow, please refer to the section "[Financial review](#)", for EBITDA, net debt and gearing ratio to [note 6](#) and for operational ROCEA to the table below.

Operational ROCEA reconciliation statement

millions of CHF	2021	2020 ¹⁾
Total assets	5'010.4	5'367.0
./. Other intangible assets	-276.5	-401.0
./. Cash and cash equivalents	-1'505.4	-1'123.2
./. Current financial assets	-26.7	-305.1
./. Total current and non-current income and deferred tax assets and liabilities	-64.3	-56.0
./. Total non-current liabilities	-1'568.8	-1'976.0
./. Total current liabilities	-2'162.3	-1'973.8
Non-current borrowings	1'164.6	1'491.3
Current borrowings	345.5	231.8
Liability related to the purchase of treasury shares	98.1	103.4
Outstanding dividend payments	201.1	157.6
Adjustment for average calculation and currency translation differences	74.4	-321.3
Average capital employed from continuing operations	1'290.1	1'194.6
Operational profit from continuing operations	293.3	255.0
Average capital employed	1'290.1	1'194.6
Operational ROCEA	22.7%	21.3%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7 to the consolidated financial statements).

Five-year summaries of key financial data

Key figures from consolidated income statement and statement of cash flows

millions of CHF	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Order intake from continuing operations	3'167.6	3'049.2	3'322.1	3'081.9	2'729.4
Currency-adjusted growth order intake from continuing operations	3.6%	-1.1%	n/a	n/a	n/a
Order intake gross margin from continuing operations	33.1%	32.6%	32.0%	31.4%	32.9%
Order backlog from continuing operations	1'724.1	1'676.8	1'731.8	1'721.9	1'526.7
Sales from continuing operations	3'155.3	2'967.8	3'307.9	2'911.0	2'627.5
Operating income (EBIT) from continuing operations	221.8	132.5	202.8	120.9	73.3
Operational profit from continuing operations	293.3	255.0	283.1	226.8	168.6
Operational profitability from continuing operations	9.3%	8.6%	8.6%	7.8%	6.4%
Net income attributable to shareholders of Sulzer Ltd	1'416.7	83.6	154.0	113.7	83.2
– in percentage of equity attributable to shareholders of Sulzer Ltd (ROE)	111.2%	6.0%	9.7%	7.0%	5.0%
Basic earnings per share (in CHF)	41.93	2.46	4.52	3.56	2.44
Depreciation from continuing operations	-81.0	-78.3	-79.7	-52.2	-50.9
Amortization from continuing operations	-50.2	-46.7	-45.5	-49.4	-36.8
Impairments of tangible and intangible assets from continuing operations	-4.2	-9.4	-3.1	-0.7	-15.4
Research and development expenses from continuing operations	-64.4	-63.8	-62.7	-63.9	-57.2
Personnel expenses from continuing operations	-1'018.1	-1'014.4	-1'078.7	-1'241.9	n/a
Capital expenditure (incl. lease assets) from continuing operations	-119.4	-88.0	-100.8	-64.7	-52.3
Free cash flow (FCF) from continuing operations	210.5	262.6	156.8	115.5	n/a
FCF conversion (free cash flow/net income) from continuing operations	1.50	3.67	1.18	1.80	n/a
Employees (number of full-time equivalents) from continuing operations as of December 31	13'816	13'197	14'685	13'708	13'016

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Key figures from consolidated balance sheet

millions of CHF	2021	2020 ¹⁾	2019	2018	2017
Non-current assets	1'834.2	2'279.9	2'172.0	2'057.7	1'990.5
– thereof property, plant and equipment	394.0	545.3	544.4	527.0	531.6
Current assets	3'176.2	3'087.1	2'937.5	2'840.6	2'126.8
– thereof cash and cash equivalents	1'505.4	1'123.2	1'035.5	1'095.2	488.8
Total assets	5'010.4	5'367.0	5'109.5	4'898.3	4'117.3
Equity attributable to shareholders of Sulzer Ltd	1'273.8	1'404.3	1'580.7	1'629.9	1'680.1
Non-current liabilities	1'568.8	1'976.0	1'644.1	1'646.8	900.1
– thereof non-current borrowings	1'164.6	1'491.3	1'199.2	1'316.3	458.7
– thereof non-current lease liabilities	64.5	90.2	82.3	–	–
Current liabilities	2'162.3	1'973.8	1'871.5	1'610.4	1'514.8
– thereof current borrowings	345.5	231.8	131.0	18.0	255.1
– thereof current lease liabilities	24.3	29.5	27.4	–	–
Net debt	66.8	414.5	346.9	239.0	225.0
Net debt/EBITDA ratio	0.15	1.26	0.84	0.73	0.81
Equity ratio ²⁾	25.4%	26.1%	30.9%	33.3%	40.8%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7). The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4. Defined benefit assets are presented as non-current assets and comparative information is re-presented. Further details are available in note 9.

2) Equity attributable to shareholders of Sulzer Ltd in relation to total assets.

Five-year summaries by division

millions of CHF	Order intake from continuing operations					Sales from continuing operations				
	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Flow Equipment	1'324.7	1'297.6	1'458.9	1'372.1	1'180.2	1'389.0	1'296.3	1'477.0	1'284.2	1'120.0
Services	1'163.4	1'130.8	1'193.2	1'109.7	1'047.7	1'117.7	1'078.3	1'167.0	1'063.7	1'029.5
Chemtech	679.5	620.8	670.0	600.1	501.5	648.5	593.1	664.0	563.2	478.0
Total	3'167.6	3'049.2	3'322.1	3'081.9	2'729.4	3'155.3	2'967.8	3'307.9	2'911.0	2'627.5

millions of CHF	Order backlog from continuing operations					Employees from continuing operations ²⁾				
	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Flow Equipment	811.5	845.0	924.3	982.9	847.0	5'325	5'362	5'759	5'713	5'453
Services	479.5	435.0	422.2	393.1	364.4	4'571	4'449	4'900	4'721	4'485
Chemtech	433.2	396.9	385.3	345.9	315.3	3'734	3'221	3'803	3'063	2'878
Divisions	1'724.1	1'676.8	1'731.8	1'721.9	1'526.7	13'631	13'032	14'463	13'497	12'816
Others		0.0	0.0	-0.0	-	185	165	222	211	200
Total	1'724.1	1'676.8	1'731.8	1'721.9	1'526.7	13'816	13'197	14'685	13'708	13'016

millions of CHF	Operational profit from continuing operations					Operational profitability from continuing operations				
	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Flow Equipment	81.4	55.2	59.7	41.4	-3.7	5.9%	4.3%	4.0%	3.2%	-0.3%
Services	158.7	150.3	164.5	146.1	144.0	14.2%	13.9%	14.1%	13.7%	13.9%
Chemtech	64.8	56.9	63.8	50.0	25.0	10.0%	9.6%	9.6%	8.9%	5.2%
Divisions	304.9	262.4	288.0	237.5	165.3	9.7%	8.8%	8.7%	8.2%	6.3%
Others	-11.6	-7.4	-4.9	-10.7	3.3	n/a	n/a	n/a	n/a	n/a
Total	293.3	255.0	283.0	226.8	168.6	9.3%	8.6%	8.6%	7.8%	6.4%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

2) Number of full-time equivalents as of December 31.

Five-year summaries by region

Order intake from continuing operations by region

millions of CHF	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Europe, the Middle East and Africa	1'281.2	1'211.6	1'375.8	1'275.9	1'176.8
Americas	1'051.8	1'009.5	1'134.6	1'144.8	902.3
Asia-Pacific	834.6	828.2	811.7	661.2	650.2
Total	3'167.6	3'049.2	3'322.1	3'081.9	2'729.4

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Sales from continuing operations by region

millions of CHF	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2017 ¹⁾
Europe, the Middle East and Africa	1'297.5	1'198.1	1'306.9	1'203.5	1'172.8
Americas	978.1	1'027.1	1'165.3	964.4	865.9
Asia-Pacific	879.7	742.6	835.8	743.1	588.7
Total	3'155.3	2'967.8	3'307.9	2'911.0	2'627.5

1) Comparative information has been re-presented due to discontinued operations (details are described in note 7).

Employees from continuing operations by company location ¹⁾

millions of CHF	2021	2020	2019	2018	2017
Europe, the Middle East and Africa	5'795	5'709	6'246	5'943	5'899
Americas	4'207	3'960	4'429	4'211	3'748
Asia-Pacific	3'815	3'528	4'010	3'555	3'369
Total	13'816	13'197	14'685	13'708	13'016

1) Number of full-time equivalents as of December 31.

Balance sheet of Sulzer Ltd

December 31

millions of CHF	Notes	2021	2020
Current assets			
Cash and cash equivalents	3	603.1	454.7
Fixed-term deposits		–	80.0
Marketable securities		22.5	–
Accounts receivable from subsidiaries		215.8	289.6
Prepaid expenses and other current accounts receivable		6.2	2.0
Total current assets		847.6	826.3
Non-current assets			
Loans to subsidiaries		854.1	667.8
Financial assets		8.7	8.4
Investments in subsidiaries	4	1'531.9	2'254.6
Investments in associates		7.9	4.6
Total non-current assets		2'402.6	2'935.4
Total assets		3'250.2	3'761.7
Current liabilities			
Current interest-bearing liabilities	6	325.1	209.9
Current liabilities with subsidiaries		46.7	10.2
Current liabilities with shareholders		299.5	261.0
Accrued liabilities and other current liabilities		12.2	17.7
Current provisions		5.2	5.6
Total current liabilities		688.7	504.4
Non-current liabilities			
Non-current interest-bearing liabilities	6	1'163.8	1'488.5
Non-current provisions		33.2	33.2
Total non-current liabilities		1'197.0	1'521.7
Total liabilities		1'885.7	2'026.1
Equity			
Registered share capital	5	0.3	0.3
Legal capital reserves	5	155.5	205.5
Reserves from capital contribution		200.7	201.0
Voluntary retained earnings			
– Free reserves	5	891.5	1'185.5
– Retained earnings		46.2	50.6
– Net profit for the year		121.3	131.0
Treasury shares	5	–51.0	–38.3
Total equity		1'364.5	1'735.6
Total equity and liabilities		3'250.2	3'761.7

Income statement of Sulzer Ltd

January 1 – December 31

millions of CHF	Notes	2021	2020
Income			
Investment income	9	183.8	189.0
Financial income	11	67.2	35.6
Other income	10	43.6	43.2
Total income		294.6	267.8
Expenses			
Administrative expenses	8	90.0	61.7
Financial expenses	11	17.7	65.6
Investment and loan expenses	9	53.3	2.7
Other expenses		11.7	5.4
Direct taxes		0.6	1.4
Total expenses		173.3	136.8
Net profit for the year		121.3	131.0

Statement of changes in equity of Sulzer Ltd

January 1 – December 31

millions of CHF	Share capital	Legal reserves	Reserves from capital contribution	Free reserves	Retained earnings	Net income	Treasury shares	Total
Equity as of January 1, 2020	0.3	205.5	201.0	1'185.5	52.8	133.9	-25.6	1'753.4
Dividend						-136.1		-136.1
Allocation of net income					-2.2	2.2		-
Net profit for the year						131.0		131.0
Change in treasury shares							-12.7	-12.7
Equity as of December 31, 2020	0.3	205.5	201.0	1'185.5	50.6	131.0	-38.3	1'735.6
medmix spin-off according to demerger plan		-50.0	-0.3	-294.0		-		-344.3
Dividend						-135.4		-135.4
Allocation of net income					-4.4	4.4		-
Net profit for the year						121.3		121.3
Change in treasury shares							-12.7	-12.7
Equity as of December 31, 2021	0.3	155.5	200.7	891.5	46.2	121.3	-51.0	1'364.5

Notes to the financial statements of Sulzer Ltd

1 General information

Sulzer Ltd, Winterthur, Switzerland (the company), is the parent company of the Sulzer group. Its financial statements are prepared in accordance with Swiss law and serve as complementary information to the consolidated financial statements.

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

2 Key accounting policies and principles

Treasury shares

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

Investments in subsidiaries and third parties

The participations are valued at acquisition cost or if the value is lower, at value in use, using generally accepted valuation principles.

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities are recognized in the balance sheet at amortized cost. Discounts and issue costs for bonds are amortized on a straight-line basis over the bond's maturity period.

Share-based payments

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

Foregoing a cash flow statement and additional disclosures in the notes

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

3 Cash and cash equivalents

In 2021, the existing syndicated credit facility of CHF 500 million was renewed for a duration of five years until December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit line by CHF 250 million (subject to lenders' approval). The facility is subject to financial covenants based on net financial indebtedness and EBITDA of the Sulzer group,

which were adhered to throughout the reporting period. As of December 31, 2021, and 2020, the syndicated facility was not used.

4 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by Sulzer Ltd is included in [note 36](#) to the consolidated financial statements.

On September 20, 2021, Sulzer Ltd shareholders at their Extraordinary General Meeting approved the proposed 100% spin-off of its Applicator Systems (APS) division (later renamed medmix) through a 1:1 share split, granting Sulzer shareholders one APS share in addition to each Sulzer share held. The spin-off was registered in the commercial registers of the cantons of Zurich and Zug on September 20, 2021, simultaneously with the incorporation of the new company, which was registered with a share capital 34'262'370 shares (registered shares with a nominal value of CHF 0.01 each). The spin-off became legally effective upon registration in the competent commercial registers, whereas the benefits and risks related to the assets and liabilities were economically transferred with retroactive effect as of January 1, 2021.

5 Equity

Share capital

The share capital amounts to CHF 342'623.70, made up of 34'262'370 shares with dividend entitlement and a par value of CHF 0.01. All shares are fully paid in and registered.

Shareholders holding more than 3%

	Dec 31, 2021		Dec 31, 2020	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16'728'414	48.82	16'728'414	48.82
FIL Limited	1'114'854	3.25	-	-

Legal capital reserves and free reserves

As part of the spin-off of medmix from Sulzer Ltd by way of a 1:1 spin-off in accordance with article 29(b) and article 31(2)(a) Swiss Merger Act, Sulzer transferred total net assets amounting to CHF 344.3 million. The amount includes the net assets, as disclosed in the demerger balance sheet as of January 1, 2021, of CHF 423.6 million minus the unfulfilled part of an intercompany loan of CHF 80.2 million plus acquisition-related payments during 2021 of CHF 0.8 million. The intercompany loan represents the repayment and interest payment obligations under the loan agreement, which was transferred to medmix as part of the debt split as disclosed in the demerger plan dated May 27, 2021. The transferred net assets covered the amount of paid-in share capital of CHF 0.3 million, and the remainder was allocated to legal capital reserves (CHF 50.0 million) and free reserves (CHF 294.0 million).

Treasury shares held by Sulzer Ltd

millions of CHF	2021		2020	
	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	426'467	38.3	240'924	25.6
Purchase	207'690	21.8	285'460	23.1
Share-based remuneration	-99'424	-9.1	-99'917	-10.4
Balance as of December 31	534'733	51.0	426'467	38.3

The total number of treasury shares held by Sulzer Ltd as of December 31, 2021, amounted to 534'733 (December 31, 2020: 426'467 shares), which are mainly held for the purpose of issuing shares under the management share-based payment programs.

6 Interest-bearing liabilities

millions of CHF	2021		2020	
	Book value	Nominal	Book value	Nominal
0.375% 07/2016–07/2022	325.1	325.0	325.1	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.7	290.0	289.6	290.0
0.625% 10/2018–10/2021	–	–	209.9	210.0
1.600% 10/2018–10/2024	249.9	250.0	249.8	250.0
0.800% 09/2020–09/2025	299.5	300.0	299.3	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.7	200.0
Total as of December 31	1'488.9	1'490.0	1'698.4	1'700.0
– thereof non-current	1'163.8	1'165.0	1'488.5	1'490.0
– thereof current	325.1	325.0	209.9	210.0

All the outstanding bonds are traded on SIX Swiss Exchange.

7 Contingent liabilities

millions of CHF	2021	2020
Guarantees, sureties and comfort letters for subsidiaries		
– to banks and insurance companies	918.5	1'205.5
– to customers	198.8	214.6
– to others	483.0	436.8
Guarantees for third parties	42.9	11.0
Total contingent liabilities as of December 31	1'643.2	1'867.9

As of December 31, 2021, CHF 402.5 million (2020: CHF 295.5 million) in guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

8 Administrative expenses

millions of CHF	2021	2020
Compensation of Board of Directors	3.4	2.7
Other administrative expenses	86.6	59.0
Total administrative expenses	90.0	61.7

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

9 Investment income and investment and loan expenses

In 2021, the investment income contained ordinary and extraordinary dividend payments from subsidiaries amounting to CHF 162.9 million (2020: CHF 159.0 million).

In 2021, Sulzer Ltd released hidden reserves in the amount of CHF 20.0 million (2020: CHF 30.0 million).

The investment and loan expenses contain allowances on investments amounting to CHF 51.3 million (2020: CHF 2.1 million) and share of loss from associates amounting to CHF 2.0 million (2020: CHF 0.6 million).

10 Other income

The income from trademark license amounts to CHF 42.3 million (2020: CHF 41.4 million).

11 Financial income and expenses

The financial income contains interests on loans with subsidiaries amounting to CHF 34.1 million (2020: CHF 35.2 million) and foreign currency valuation effects on loans amounting to CHF 9.1 million (2020: loss of CHF 48.5 million). The valuation on marketable securities from the medmix spin-off results in a gain of CHF 21.9 million (2020: CHF 0.0 million). The financial expenses contain mainly interest expenses on interest-bearing liabilities of CHF 15.9 million (2020: CHF 12.9 million).

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

Restricted share units for members of the Board

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

	2021				
	Sulzer shares	Restricted share units (RSU) ¹⁾	Performance share units (PSU) 2019 ²⁾	Performance share units (PSU) 2020 ³⁾	Performance share units (PSU) 2021 ⁴⁾
Board of Directors	55'307	34'874	–	–	–
Peter Löscher	22'238	8'818	–	–	–
Suzanne Thoma	–	2'232	–	–	–
Matthias Bichsel	9'976	5'038	–	–	–
Mikhail Lifshitz	6'182	4'410	–	–	–
David Metzger	–	1'800	–	–	–
Alexey Moskov	639	3'756	–	–	–
Gerhard Roiss	14'413	4'410	–	–	–
Hanne Birgitte Breinbjerg Sørensen	1'859	4'410	–	–	–
Executive Committee	77'941	–	81'932	94'735	49'936
Greg Poux-Guillaume	43'000	–	35'746	50'900	21'789
Daniel Bischofberger	9'720	–	9'932	9'427	6'053
Frederic Lalanne	6'797	–	9'932	9'427	6'053
Jill Lee	5'084	–	9'932	9'427	6'053
Armand Sohet	2'728	–	8'195	7'777	4'994
Torsten Wintergerste	10'612	–	8'195	7'777	4'994

1) Restricted share units assigned by Sulzer.

2) The average fair value of one performance share unit 2019 at grant date amounted to CHF 115.95.

3) The average fair value of one performance share unit 2020 at grant date amounted to CHF 78.18.

4) The average fair value of one performance share unit 2021 at grant date amounted to CHF 124.95.

	2020				
	Sulzer shares	Restricted share units (RSU) ¹⁾	Performance share units (PSU) 2018 ²⁾	Performance share units (PSU) 2019 ³⁾	Performance share units (PSU) 2020 ⁴⁾
Board of Directors	56'020	27'510	-	-	-
Peter Löscher	19'437	6'210	-	-	-
Matthias Bichsel	8'238	3'853	-	-	-
Hanne Birgitte Breinbjerg Sørensen	816	3'106	-	-	-
Lukas Braunschweiler	1'097	3'106	-	-	-
Mikhail Lifshitz	4'781	3'106	-	-	-
Marco Musetti	8'639	3'106	-	-	-
Gerhard Roiss	13'012	3'106	-	-	-
Alexey Moskov	-	1'917	-	-	-
Executive Committee	92'944	-	28'133	54'251	66'999
Greg Poux-Guillaume	58'062	-	12'820	23'363	33'267
Daniel Bischofberger	6'233	-	2'938	6'491	6'161
Frederic Lalanne	6'955	-	2'938	6'491	6'161
Jill Lee	7'945	-	3'561	6'491	6'161
Armand Sohet	6'624	-	2'938	5'355	5'083
Torsten Wintergerste	7'125	-	2'938	5'355	5'083
Girts Cimermans	-	-	-	705	5'083

1) Restricted share units assigned by Sulzer.

2) The average fair value of one performance share unit 2018 at grant date amounted to CHF 143.62.

3) The average fair value of one performance share unit 2019 at grant date amounted to CHF 115.95.

4) The average fair value of one performance share unit 2020 at grant date amounted to CHF 78.18.

Granted Sulzer shares to members of the Board of Directors

	2021		2020	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the Board of Directors	16'632	1'155'000	17'715	1'155'000

13 Subsequent events after the balance sheet date

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

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

in CHF	2021	2020
Net profit for the year	121'291'000	131'000'000
Unallocated profit carried forward from previous year	46'229'034	50'591'802
Total available profit	167'520'034	181'591'802
Ordinary dividend	-118'046'730	-135'362'768
Balance carried forward	49'473'305	46'229'034
Dividend distribution per share CHF 0.01		
Gross dividend	3.50	4.00
Withholding tax (35%)	-1.23	-1.40
Net dividend	2.27	2.60

The Board of Directors proposes the payment of a dividend of CHF 3.50 per share to the Annual General Meeting on April 6, 2022. The company will not pay a dividend on treasury shares held by Sulzer Ltd or one of its subsidiaries.



Statutory Auditor’s Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sulzer Ltd, which comprise the “[Balance sheet of Sulzer Ltd](#)” as at December 31, 2021, the “[Income statement of Sulzer Ltd](#)”, the “[Statement of changes in equity of Sulzer Ltd](#)” for the year then ended, and the “[Notes to the financial statements of Sulzer Ltd](#)”, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended December 31, 2021 comply with Swiss law and the company’s articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 17, 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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Disclaimer

This report may contain forward-looking statements, including, but not limited to, projections of financial developments and future performance of materials and products, containing risks and uncertainties. These statements are subject to change based on known and unknown risks and various other factors that could cause the actual results or performance to differ materially from the statements made herein.

Rounding

Due to rounding, numbers presented throughout this 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.

Languages

Parts of the Sulzer Annual Report 2021 have been translated into German. Please note that the English-language version of the Sulzer Annual Report is the binding version.