



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

	2021			
millions of CHF	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		

	2020			
millions of CHF	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	– Studies	OT	PIT
	– Engineering		
	– Site project management		
	– Supervision		
	– Key equipment		
	– Installation		
Services / engineered solutions	– Procurement of equipment, spare parts	OT	PIT or OT for certain service contracts 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

KPMG AG, Badenerstrasse 172, CH-8036 Zurich
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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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