

SULZER



Net zero: our solutions

Annual Report 2022

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Sulzer Executive Committee

From left: Tim Schulten, Division President, Services; Haining Auperin, Chief Human Resources Officer; Thomas Zickler, Chief Financial Officer; Uwe Boltersdorf, Division President, Chemtech; Suzanne Thoma, Executive Chair; Jan Lüder, Division President, Flow Equipment

Dear Shareholder,

After an eventful yet successful year for Sulzer, it is my pleasure to present you with our 2022 annual results and our outlook for the coming year.

Energy security and affordability as well as the reliable supply of other critical goods have re-emerged as fundamental building blocks for the stability, prosperity and economic development of our society. This is true for business, industry, consumers and society at large. At the same time, the determination to take the necessary measures to reduce climate change is persisting and growing – as is the willingness to take concrete steps to mitigate the effects of climate change. The degradation of biodiversity, the pollution of our planet and the increasing scarcity of water resources must be tackled.

Sulzer contributes to the solutions for these fundamental challenges by reconciling the needs of our planet with those of a growing population and economically developing societies. With this in our minds and hearts, we are laying the foundation for future success. The evolving needs of business, industries, the public and consumers present significant upside potential for Sulzer's development.

The markets that Sulzer serves are large, global, well-established and still growing. The competitive situation and the sustainability challenges call for Sulzer's technologies: efficiency of operations, lifetime extension, reduction of water usage, and oil recycling or solvent recovery processes are examples from the chemical and the oil and gas industries.

Our customers are increasingly choosing new or nascent powerful approaches to significantly reduce their customers' and their own ecological footprint. Sulzer's technologies enable carbon emission reductions, polymers from biological sources, recycling of plastic waste and textiles as well as efficient energy generation.

To ensure that we seize these opportunities and better respond to the constantly evolving demand, we must take steps to recalibrate our strategy. At the same time, we are also focusing on operational excellence to enhance our productivity and effectiveness. This work has started and is being conducted from a position of strength and momentum, giving us added freedom to maneuver.

Significant rise in orders

In 2022, the company performed well considering the challenges global economies face. Orders rose 9.1% year on year, buoyed in particular by the Flow Equipment division (+8.9%) and the Chemtech division (+22.5%), where our Renewables business continued its strong growth path and capitalized on soaring demand (+ 37.8%) compared with 2021.

Sales saw a modest rise of 1.8% versus the previous year, a good achievement given the significant geopolitical and supply chain difficulties and Sulzer's exit from the Russian market, which particularly affected our Services business. Operational profitability continued to rise, increasing by 70 basis points to 10.0%. Free cash flow amounted to CHF 58.3 million, down from CHF 210.5 million on a comparable basis. The main driver for the reduction in free cash flow for the period reflects the higher working capital, in the context of the fluctuating market conditions and to mitigate the difficult global supply chain environment.

I would once again like to thank Sulzer's teams around the world who successfully overcame global market adversities to achieve these excellent results.



“Sulzer’s technologies are making a significant contribution to solving some of the most pressing challenges our society faces – while driving profitable growth.”

Suzanne Thoma
Executive Chair



A new leadership structure to guide Sulzer's realignment

As a first step in recalibrating our strategy, we announced in October 2022 that we are combining the roles of CEO and Chair of the Board of Directors into the newly created role of Executive Chair. The Board unanimously agreed that the urgency and pace of change required to cater for the shifts in demand are such that Sulzer will greatly benefit from the heightened collaboration and increased transparency between the Board of Directors and Executive Management offered by the dual mandate.

To balance the role of the Executive Chair from a governance point of view, Sulzer is appointing an independent lead director, increasing its board members to seven highly experienced business leaders, establishing a new governance committee and adapting the memberships in the Board committees to ensure effective oversight.

Renewable and reliable energy

One of our principal focus areas as we seek to realign our strategy is energy. In an environment of escalating shortages, the world needs more clean and renewable energy. At the same time it needs to guarantee reliable supply of cleaner fossil fuels during the transition phase for the billions of people that depend on it. In this report you can read about how Sulzer is providing for both sides of this coin – accelerating the transition to renewable energy while continuing to innovate with traditional fuels to make them cleaner and more efficient.

For example, Sulzer is developing solutions to one of the major challenges that confronts renewable energy forms such as wind and solar – ensuring that the variable renewable energy supply caused by unpredictable weather conditions can be evened out and controlled to match energy demand. Sulzer's innovations allow [energy to be stored as it is produced and then released when needed](#), helping to provide a solution to this key barrier to the large-scale adoption of renewable energy.

On the other hand, we helped a state-owned Middle Eastern company to implement a novel circular solution to maximize oil extraction from depleted oil wells using high-pressure captured carbon. While reducing the need for further oil exploration by allowing us to extract far more oil from each well, the process also provides the perfect means of storage for the carbon – buried safely underground. Such innovations that enable circularity and reduce emissions from fossil fuels will be crucial as we continue to meet global energy needs during the course of the energy transition.

As you will see throughout this report and beyond, we are enabling companies and industries worldwide to reduce emissions and waste through the circular economy, carbon capture and storage, renewable fuels and materials, recycling and novel techniques for energy production. Each of these solutions form a critical piece of the puzzle on the path to a new era – and we are proud to be in a position to accelerate this transition while creating value for our stakeholders.

Outlook for 2023

Sulzer has started the year with a strong order backlog and expects continued growth in its markets despite ongoing uncertainties. We believe that fundamental megatrends will continue to drive strong demand for Sulzer's technologies.

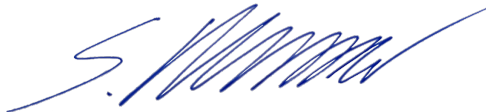
For 2023, Sulzer expects orders to increase 3 to 6%. Sales are expected to grow by 7 to 9%. Operational profitability is expected to further improve to above 10.0%.

One-off effects have impacted net income negatively in 2022. As no comparable impacts are expected for 2023, Sulzer expects net income in 2023 to be significantly higher compared to 2022.

We are extremely excited about the future. Sulzer's technologies are making a significant contribution to solving some of the most pressing challenges our society faces – while driving profitable growth for the company and creating value for our shareholders, partners, employees and communities. This confidence in our future performance is also reflected in the proposed ordinary dividend of CHF 3.50 per share at the Annual General Meeting.

We thank you, our shareholders, clients and employees, for accompanying us on this journey and look forward to continuing to deliver for you in the coming years.

Yours sincerely,



Suzanne Thoma
Executive Chair

Fluid engineering for a sustainable world

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

We specialize in energy-efficient pumping, agitation, mixing, separation, purification, crystallization and polymerization technologies for fluids of all types. Our solutions enable carbon emission reductions, development of polymers from biological sources, recycling of plastic waste and textiles, and efficient power storage. Our customers benefit from our commitment to innovation, performance and quality through our responsive network of 180 world-class manufacturing facilities and service centers across the globe.

Flow Equipment

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

Services

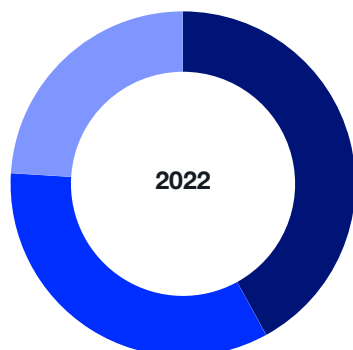
We are your partner for uptime and enhanced performance for your rotating equipment and more. Our dedicated people provide unrivaled service and expertise to meet your operational needs – anytime, anywhere.

Chemtech

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

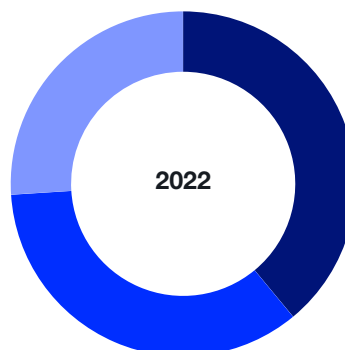
Our key figures

Order intake by division



- 42% Flow Equipment
- 34% Services
- 24% Chemtech

Order intake by region



- 39% Europe, the Middle East and Africa
- 35% Americas
- 26% Asia-Pacific

Key figures

millions of CHF	2022	2021	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake from continuing operations	3'425.4	3'167.6	8.1	9.2	9.1
Order intake gross margin from continuing operations	33.5%	33.1%			
Order backlog from continuing operations as of December 31	1'844.7	1'724.1	7.0		
Sales from continuing operations	3'179.9	3'155.3	0.8	1.6	1.8
EBIT from continuing operations ³⁾	111.4	221.8	-49.8		
Operational profit from continuing operations	317.6	293.3	8.3	8.7	8.6
Operational profitability from continuing operations	10.0%	9.3%			
Operational ROCEA from continuing operations	23.7%	22.7%			
Core net income from continuing operations	213.1	195.3	9.1		
Net income from continuing operations	28.0	140.7	-80.1		
Basic earnings per share from continuing operations (in CHF)	0.85	4.10	-79.4		
Free cash flow (FCF) from continuing operations	58.3	210.5	-72.3		
Net debt as of December 31	234.6	66.8	251.2		
Employees (number of full-time equivalents) from continuing operations as of December 31	12'868	13'816	-6.9		

1) Adjusted for currency effects.

2) Adjusted for acquisition and currency effects.

3) Impacted by write-offs related to Russia and Poland.

Stock market information

	2022	2021	2020	2019	2018
Registered share price (in CHF)					
– high	93.50	143.10	110.50	113.40	137.50
– low	56.10	82.45	40.12	75.15	76.30
– year-end	72.00	89.85	93.10	108.00	78.05
Market capitalization as of December 31					
– number of shares outstanding	33'738'515	33'727'637	33'835'903	34'021'446	33'950'499
– in millions of CHF	2'429	3'030	3'150	3'674	2'650
– in percentage of equity	237%	238%	224%	232%	163%
P/E ratio as of December 31	85.2x	2.1x	37.8x	23.9x	21.9x
Dividend yield as of December 31	4.9%	3.9%	4.3%	3.7%	4.5%


Data per share

CHF	2022	2021	2020	2019	2018
Net income attributable to a shareholder of Sulzer Ltd	0.85	41.93	2.46	4.52	3.56
Change from prior year	–98%	1'603%	–46%	27%	46%
Equity attributable to a shareholder of Sulzer Ltd	30.40	37.80	41.50	46.50	48.00
Ordinary dividend	3.50 ¹⁾	3.50	4.00	4.00	3.50
Payout ratio	414%	8%	163%	88%	98%
Average number of shares outstanding	33'825'814	33'788'006	33'970'141	34'026'442	31'934'459

1) Proposal to the Annual General Meeting.

Shareholder structure as of December 31, 2022

Number of shares	Number of shareholders	Shareholding
1–100	4'202	0.7%
101–1'000	5'265	5.0%
1'001–10'000	633	4.8%
10'001–100'000	103	8.4%
More than 100'000	13	57.6%
Total registered shareholders and shares (excluding treasury shares Sulzer Ltd)	10'216	76.6%



Enabling the transition to net zero

Sulzer's innovative solutions are enabling and accelerating the transition to net zero, by supporting our customers in securing a reliable supply of energy and resources for communities worldwide during the transition phase.

Two interlinked challenges have recently come into ever-sharper focus: on the one hand, the world needs to transition to green and renewable energy to reach net zero. At the same time, we must ensure a sustainable transition that secures the reliable supply of life-critical energy and resources to the billions of people and businesses that depend on them.

This represents one of the key global challenges on the pathway to net zero – the ramp-down of high emissions activities must be carefully managed in parallel with the ramp-up of low-emissions activities, if we are to avoid high economic costs and damage to global economies.

This balance will therefore define global activities to reach net zero in the coming years. Of all the sections of our society and industries that will need to decarbonize as we forge the path to net zero, several areas represent a particular challenge – cement and concrete, heavy transportation, aluminum, steel and chemicals. These sectors provide growing populations all over the world with resources that enable everyday life. It is estimated that these sectors currently account for 30% of global emissions¹.

Decarbonizing heavy industry

Sulzer is directly or indirectly involved in all of these industries, helping them to achieve cost efficiency and environmentally friendly operations. In the heavy transportation sector for example, Sulzer signed a memorandum of understanding in 2022 with BASF to collaborate on the enhancement of renewable biofuels. Sustainable aviation fuels made from organic material like waste cooking oils and fats can cut emissions by up to 85% compared to traditional jet fuel² and will therefore support the sustainable transformation of the aviation sector as production is scaled and commercialized.

Sulzer is also currently enabling production at [two of the world's largest biofuels production facilities](#). Combined, the two plants will produce over five billion liters of renewable fuels annually from waste oils, fats and greases, allowing large segments of the transportation sector to move to these revolutionary low-carbon fuels and eliminating millions of tons of CO₂ emissions per year.

There are many more examples from across Sulzer's portfolio of such innovations and contributions that will help our society reach global emissions targets. In renewable energy, Sulzer has been developing ground-breaking solutions to the problem of uneven supply due to unpredictable weather conditions. Sulzer's technologies are being used to [convert electricity from wind and solar installations into various forms that can be stored and then used when required](#), helping to solve this fundamental barrier to the large-scale adoption of renewable energy. In the light transportation sector, the adoption of electric vehicles is rapidly rising as a critical part of net-zero strategies, requiring ever-increasing amounts of lithium. The multi-stage production process for the high-quality lithium used in batteries is long and requires highly specialized pumps throughout all stages of the extraction and purification. [Sulzer's pumping expertise is key in this area](#) and used all over the world to optimize the lithium and battery manufacturing processes.

Furthermore, for those emissions that cannot be eliminated, Sulzer offers opportunities to remove carbon from the atmosphere and store it safely underground or permanently sequestered in materials and products. With Sulzer's pumping expertise and advanced separation technology, the company [is providing innovative technical solutions for all stages of the CCUS process](#). We continue to innovate to enable these technologies to achieve their full impact as a commercially viable and critical component of the net-zero strategy.



These solutions will be scaled in the coming years as the global transition accelerates. The Climate Policy Initiative estimates that climate-related financing has almost doubled since 2010, reaching USD 632 billion in 2020³, with much of this investment going towards developing and scaling clean and renewable technologies. As these technologies are ramped up across the globe and attract more and more investment, Sulzer is perfectly positioned to help deliver the megashifts in infrastructure that will enable net zero.

Enabling circularity and minimizing emissions from traditional energy sources

While we ramp up and commercialize clean and renewable technologies, traditional fuels and energy production will remain crucial. To minimize their carbon emissions to the greatest extent possible, while safely capturing the emissions that we can't eradicate, Sulzer and its partners develop powerful CCUS solutions.

And in addition, we continue to develop innovative means of enhancing the efficiency and sustainability of carbon-intensive fuels. For example, Sulzer's pumping expertise is being used to optimize oil extraction and enable circularity in the oil industry. The solution uses captured, high-pressure CO₂ which is pumped into depleted oil reservoirs to extract the remaining oil with far higher efficiency than the traditional water, reducing both water consumption and the need for further oil exploration. The carbon is then safely and permanently stored underground, enabling circularity and reducing emissions.

- 1) [World Economic Forum: First Movers Coalition](#)
- 2) [First Movers Coalition aviation commitments](#)
- 3) [Climate policy initiative: Climate finance landscape](#)

You can read more about Sulzer's sustainability efforts in our 2022 sustainability report [+](#)



Decarbonizing the transportation sector

Sulzer is helping to decarbonize the transportation sector by working with its partners and customers to develop and produce renewable, low-carbon fuels. By mimicking the highly useful properties of oil-based fuels but with a far lower carbon cost, these biofuels will be a central pillar of global strategies to decarbonize the fast-growing transportation sector.

Transportation has long been identified as one of the most challenging sectors to decarbonize. Statista estimates that the transportation sector accounts for 17% of total global greenhouse gas emissions, behind only the power sector, with this number expected to rise in the coming years¹.

How to decarbonize this growing sector represents a key challenge, heavily reliant on new and emerging technologies and huge shifts in infrastructure across the world. However, the transportation sector is far from homogenous, with different areas of the sector requiring different solutions.

The easiest piece of the puzzle is light transportation – for cars, light trucks and two-wheeled vehicles, the transition is already well underway. This is because these vehicles are smaller, they carry lighter loads, and they generally have frequent opportunities to refuel. This means that energy density (the amount of energy contained in a certain weight and volume) becomes less important, paving the way for alternative on-board energy storage like batteries or hydrogen fuel cells. The International Energy Agency estimates that there will be 125 million electric vehicles on the roads by 2030 and that oil demand from light vehicles will peak in the early 2020s², despite growing numbers of total vehicles on the roads. Here you can read more about [Sulzer's contribution to lithium extraction and battery manufacturing](#), helping to enable the widespread adoption of EVs across the globe.

By far the bigger problem is how to decarbonize heavy transportation – ships, planes and heavy goods vehicles. There is a good reason why oil-based fuels have come to dominate our transportation sector – it is because their high energy density makes them the ideal fuel to carry heavy loads over long distances. The energy density of batteries is orders of magnitude lower than petroleum fuels, effectively ruling them out as a viable option to power larger vehicles over long distances. Put simply, batteries are too heavy and store too little energy relative to their weight for them to be used to

transport passenger or cargo planes or ships over thousands of kilometers. Moreover, petroleum fuels' liquid form means that they are far easier to transport to the point of use than energy stored in electricity, which requires significant infrastructure to transport.

For heavy transportation, there is therefore only one viable alternative – low-carbon fuels that mimic the highly useful characteristics of petroleum fuels in terms of energy density and ease of transportation. Biofuels and synthetic fuels show the most promise, as these fuels can be engineered to deliver the properties of petroleum fuels necessary to power heavy transportation, while producing a fraction of the carbon emissions. Sustainable aviation fuels (SAF), for example, can reduce carbon emissions by up to 85% versus their petroleum-based alternatives.

Enabling production at two of the world's largest biofuel facilities

In 2022, [Sulzer was selected by Shell to supply pumps](#) for its major new biofuel facility under construction in Rotterdam, the Netherlands. Expected to become one of the largest biofuels production sites in Europe, the Shell Energy and Chemicals Park will create sustainable aviation fuel (SAF) and biodiesel from waste. Once completed, the facility is expected to deliver 820'000 tonnes of low-carbon fuels (LCF) a year, enough to eliminate 2'800'000 tonnes of CO₂ emissions annually – the equivalent of taking one European million cars off the road³. Sulzer's industry-leading pumps will enable several critical processes at the facility, including providing boiler feedwater to drive the steam turbine generator.



Similarly, Sulzer is supporting the conversion of an existing US West Coast refinery into another of the world's largest renewable biofuel plants, currently under construction in California. [Sulzer's pumping expertise will support central processes to enable the transition](#), including converting the existing hydrotreater to produce renewable diesel from used oils, fats and greases. Sulzer will also provide a highly specialized set of critical oil recycle pumps to feed the hydrotreater itself. Inside, the organic waste material is reacted with hydrogen to produce the same components found in traditional diesel but at a far lower carbon cost. Once operational, the facility will produce approximately 50'000 barrels of low-carbon fuels per day, reducing carbon life-cycle emissions by 65% – equivalent to taking 1.4 million cars off the roads⁴.

A partnership to further enhance renewable fuels

Beyond Sulzer's contribution to the production of these biofuels, the company is also helping to lead the development of new technologies that enable sustainable alternatives to fossil fuels. In 2022, [Sulzer and BASF signed a memorandum of understanding](#) to develop collaboration on enhancing renewable fuels and plastic recycling technologies. The strategic partnership will combine Sulzer Chemtech's expertise in licensed processing technologies and mass transfer equipment with BASF's cutting-edge high-performance adsorbents and catalysts to further reduce the carbon intensity of renewable diesel and sustainable aviation fuel.

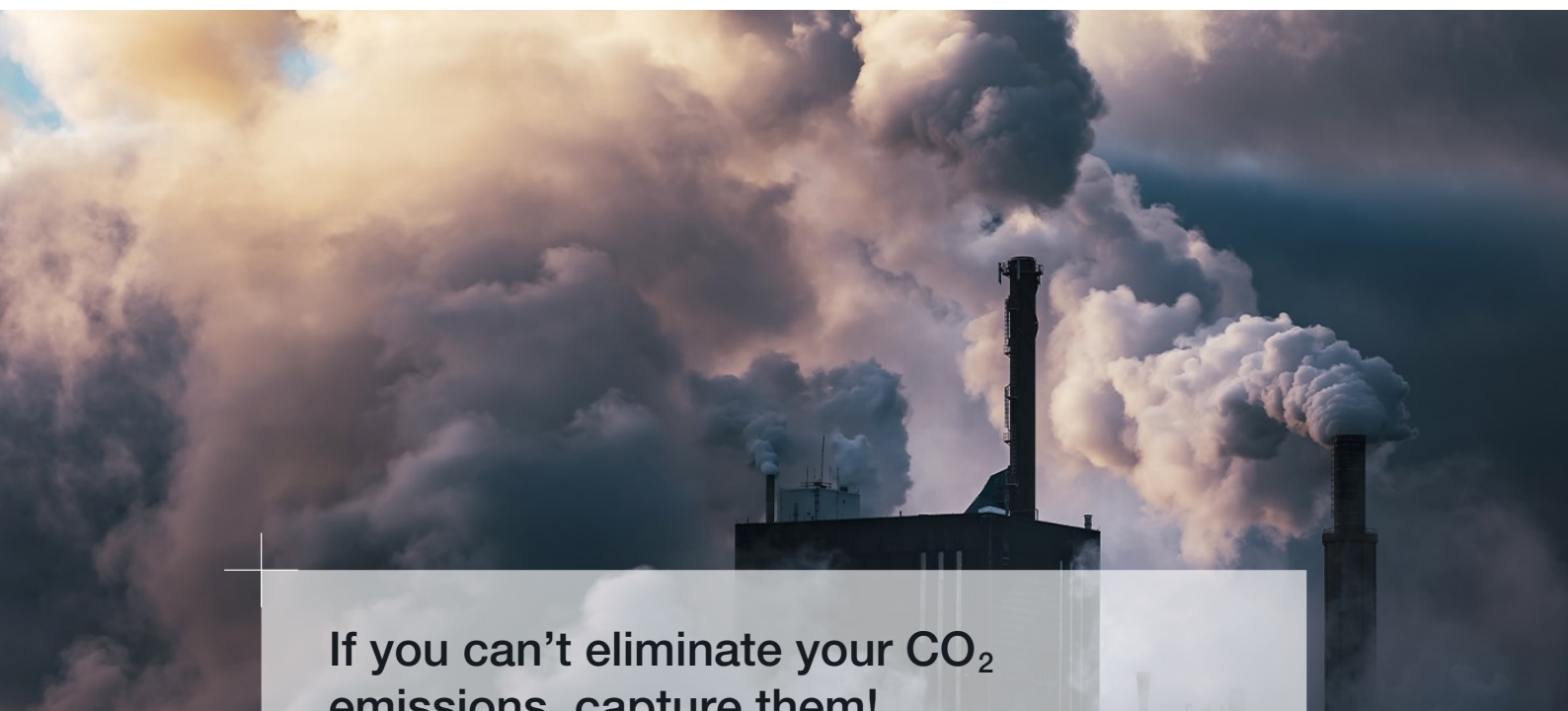
1) Statista: Transportation emissions worldwide

2) International Energy Agency: Global EV Outlook 2022

3) Shell media release: Shell to build one of Europe's biggest biofuel facilities

4) Phillips 66 media release: Phillips 66 makes final decision to convert San Francisco refinery

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



If you can't eliminate your CO₂ emissions, capture them!

Carbon capture, utilization and storage (CCUS) has a critically important role to play on the path to net zero. For those emissions that are impossible to completely eradicate through carbon reduction strategies, for example from industrial activities like hydrocarbon processing, Sulzer's CCUS solutions can help capture and transform the remaining emissions into valuable resources to be sold and used in a variety of sectors, thereby enabling circularity and the decarbonization of heavy industries.

Governments worldwide are setting ambitious targets aimed at reducing greenhouse gas (GHG) emissions to align with global net-zero commitments. To achieve this, organizations are looking at ways to improve their environmental footprint while remaining competitive in a challenging marketplace.

While the priority of net-zero strategies is to reduce carbon emissions to the greatest extent possible, we know that there are some sectors where the complete abatement of carbon emissions is nearly, if not entirely, impossible. Hydrocarbon processing, chemical manufacturing and power generation with fossil fuels – all of these industries will need to rely on capturing and safely storing those emissions that they cannot abate. Therefore, in the International Energy Agency's Sustainable Development Scenario, in which global CO₂ emissions from the energy sector fall to zero on a net basis by 2070, CCUS accounts for nearly 15% of the cumulative reduction in emissions¹.

As a result, the growth of the carbon capture market in the period to 2070 is expected to follow an upward trend that is inversely proportional to the emission reduction requirements in the same period, creating significant opportunities for companies like Sulzer with the know-how to enable cost-efficient carbon capture, utilization and storage.

Emissions as resources

The most compelling and cost-effective way to deal with carbon emissions once captured is to utilize at least a part of them as a resource, in line with circularity principles. For example, captured CO₂ can be used to produce sustainable aviation fuels – an energy application that is particularly hard to decarbonize. Carbon is also the key building block of chemicals and polymers and widely used in the healthcare sector and the food industry, e.g. for carbonated drinks. Moreover, it can support the production of carbon-negative concrete by crystallizing the carbon and permanently storing it within concrete.

This creates additional incentives and opportunities for emissions-heavy businesses to capture their carbon – not only does society benefit, but there are also real financial gains to be realized by reusing the captured CO₂ as a valuable resource. Hydrocarbon processing facilities can potentially become independent, closed-loop facilities, where the carbon generated by the main plant's activities is then reintroduced into the system as feedstock to produce chemicals, materials or fuels. As a result, companies in this sector can address changing market needs and environmental regulations while generating new revenue streams and increasing their competitive advantages.

The critical component in carbon capture units is the separation technology that is used to separate the CO₂ from the other flue gases produced during industrial processing. To deliver optimum performance in these separation columns, Sulzer has developed its proprietary MellapakCC™ structured packing, which was designed specifically for carbon capture applications. More precisely, this cost-effective technology increases efficiency by 20% when compared to conventional structured packing, while enabling the capture of the vast majority of carbon emissions.

For example, Sulzer's technology is being used at a coal-fired power plant in Saskatchewan, Canada. The plant employs a highly advanced carbon capture system with internals and packing from Sulzer, which enables the direct capture of up to 90% of the CO₂ emissions produced by the plant. By January 2022, 4'256'840 tons of CO₂ had been captured and permanently sequestered since the carbon capture unit began operating in 2014².

Using and permanently storing captured carbon

As well as developing the technology to capture carbon emissions, Sulzer is driving innovation on ever more inventive methods of putting the carbon to good use while simultaneously providing safe storage solutions that prevent its release into the atmosphere. For example, [Sulzer is working with Blue Planet](#) on a ground-breaking mineralization process that permanently stores carbon emissions captured from heavy industries in aggregate form, which can then be used to produce carbon-negative concrete.

The technology combines captured CO₂ with industrial waste to obtain synthetic limestone aggregate – one of the three key ingredients of concrete, along with cement and water. The mineralization process permanently locks up to 440 kg of CO₂ into every tonne of aggregate produced. As a result, it is possible to completely offset the CO₂ footprint of cement and produce carbon-negative concrete. With concrete currently accounting for 7% of global emissions, this process represents a big step in the decarbonization of the construction industry.



Another of Sulzer's innovative methods of storing captured carbon is to convert the CO₂ into high-pressure, supercritical form, which can be used to [optimize oil recovery from depleted oil wells](#). Using highly specialized pumps from Sulzer, the CO₂ is pumped into the well to extract oil with far greater efficiency than traditional methods using water. The pumped CO₂ is then stored in the underground oil field, providing a perfect storage medium for the greenhouse gas. This groundbreaking circular process has the power to transform the oil and gas industry by reducing CO₂ emissions while simultaneously maximizing recovery from existing oil fields – reducing the need for further oil exploration.

1) International Energy Agency: CCUS in clean energy transitions
2) Sask Power status update January 2022

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



Delivering reliable energy supply from intermittent renewable sources

Sulzer is developing solutions to one of the major challenges that confronts renewable energy forms such as wind and solar – ensuring that the variable renewable energy supply caused by unpredictable weather conditions can be evened out and controlled to match energy demands. Sulzer’s innovations allow energy to be stored as it is produced and then released when needed, helping to provide a solution to this key barrier to the large-scale adoption of renewable energy.

Renewable energy installations are a critical part of the transition to clean technologies and global strategies to reach net zero. The International Energy Agency (IEA) estimates that the share of renewables in global electricity generation jumped to 29% in 2020¹. Wind in particular saw a significant increase, rising by 275 TWh (+17%) year on year, followed by solar which rose by 145 TWh (+12%). The IEA expects this trend to continue and accelerate in the coming years, with renewables set to account for almost 95% of the increase in global power capacity through to 2026.

However, there are two major issues confronting the large-scale adoption of renewable energy installations like wind and solar. The first is the key challenge of the variable nature of their supply, which is caused by changing weather conditions. We cannot control when the wind will blow and the sun will shine, which results in an uneven flow of electricity that does not respond to the needs of the grid. The second challenge is transport – electricity requires significant, costly and material-rich infrastructure to transport it over long distances. This traditionally creates a barrier to building large-scale solar or wind farms in deserts or offshore, where sun and wind are in abundance, and then transporting the electricity over long distances to the point of need.

Storing renewable energy

However, Sulzer has been developing solutions to these two issues in collaboration with its customers. For example, Sulzer is supporting a ground-breaking offshore energy storage project from FLASC power, a renewable energy company based in the Netherlands. FLASC’s vision is to store renewable energy where it is produced and deliver it later to consumers to meet peak demand times, thereby turning an intermittent renewable resource into a predictable source of clean energy.

Sulzer is delivering a customized solution that stores the renewable energy in the form of high-pressure air and water, to be released on demand. In essence, water is pumped into multiple vessels that contain air, causing the air pressure to increase. This pumping process is repeated until the vessels are filled with a mixture of air at extremely high pressure and water. When the energy is required by the grid, the water is released at high speeds through a hydraulic turbine, generating electricity for delivery to the grid.

The main components of this system are the pumps and hydraulic turbines that are used to pressurize the air, capturing, storing, and then releasing the generated energy. Sulzer locations around the world have been working to develop a highly specialized package of products that can be connected together to deliver a scalable platform that is both energy-efficient and cost-effective, enabling FLASC to deliver on its vision of a reliable supply of clean energy.

Decarbonizing shipping with green methanol

Additionally, as an alternative method of storage for renewable energy, [Sulzer is supporting European Energy with the construction of the world's first large-scale commercial e-methanol plant](#). European Energy is applying an innovative process to convert renewable electricity from solar panels or wind turbines, among others, into another form of energy that is easier to store, namely e-methanol. The plant in Kassø, Aabenraa, located in the southern part of Denmark, will be supplied with power from the adjacent 300 MW solar park owned by European Energy. It represents the first step in bringing this e-fuel to market at scale to support the maritime and road transportation industries as well as the chemical sector.



Traditionally, methanol was produced by gasifying natural gas and coal. Alternative renewable energy-to-methanol conversion processes have been extensively researched in recent years due to the traditional methanol production process's high carbon footprint.

Using its global leadership and expertise in separation and mixing technology, Sulzer will deliver two custom-design distillation units to European Energy’s cutting-edge facility. These will play an essential role in the plant’s ability to produce e-methanol of extremely high purity for use in combustion engines and as a chemical feedstock, for example to produce plastic while requiring minimal energy input.

This innovative facility will help to progress the decarbonization of the global freight industry by producing 32’000 metric tonnes of carbon-neutral hydrocarbon-based fuels per year. Half of the total plant output, 16’000 metric tonnes per annum, will be delivered to A. P. Moller-Maersk to fuel the company’s first container ship capable of operating on green methanol. The 172 m (564 ft)-long feeder vessel will be able to hold over two thousand 6m (20 ft equivalent) container units and will sail in Northern Europe.

With its high energy density along with its transportability thanks to its low weight, e-methanol provides a simultaneous solution to the two challenges faced by renewable energy – how to store the produced energy for later use, and how to transport the energy from the renewable installations to the point of need.

1) International Energy Agency: Global energy review 2021

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



Business review

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Order growth and increased operational profitability

Note: If not otherwise indicated, changes from the previous year are based on organic figures (adjusted for currencies and acquisitions).

Order intake increased by 9.1%. In a difficult environment, sales saw a slight increase of 1.8%. While the Russia exit and Poland closure impacted Sulzer's bottom line, our operational profitability was unaffected, reaching 10.0%. Free cash flow, impacted by global supply chain challenges, amounted to CHF 58.3 million.

Continued strong growth in order intake

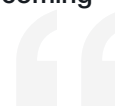
Compared with 2021, order intake was driven by organic growth of 9.1% to CHF 3'425.4 million. The net impact from acquisitions at Group level amounted to only CHF 1.9 million.

Currency translation effects had a negative impact on order intake of CHF 33.6 million. Order intake gross margin¹ increased nominally by 0.4 percentage points to 33.5%.



“This solid set of results is evidence of Sulzer’s resilience in a market environment characterized by geopolitical tensions and uncertainties. The demand for our technologies also demonstrates that we are well positioned in markets fundamental to our society such as energy security and the transition to renewables, which we will continue to build on in the coming years.”

Thomas Zickler
Chief Financial Officer



In the Flow Equipment division, order intake grew in all segments, leading to an overall increase of 8.9%. Double-digit growth in orders was recorded in Energy (11.0%) and Industry (12.8%). The Water segment continues to grow and increased its orders by 4.4%. Order intake in the Services division grew by 1.6% despite the impact from the exit from Russia, which caused a drop in Europe, the Middle East and Africa (EMEA) of 6.5%. This was more than offset by a strong performance in the Americas (11.1%) and solid order intake in Asia-Pacific (2.4%).

Order intake in the Chemtech division increased by 22.5%, with strong commercial momentum in all regions reflecting rebounds in the Americas, Europe, India and the Middle East. The Renewables segment within the Chemtech division grew strongly by 37.8%.

As of December 31, 2022, the order backlog amounted to CHF 1'844.7 million (December 31, 2021: CHF 1'724.1 million).

¹) Order intake gross margin is defined as the expected gross profit of order intake divided by order intake.

Order intake

millions of CHF	2022	2021
Order intake from continuing operations	3'425.4	3'167.6
Order intake gross margin from continuing operations	33.5%	33.1%
Order backlog from continuing operations as of December 31	1'844.7	1'724.1

Sales growth in difficult environment

Sales increased by 1.8% compared to 2021, reaching CHF 3'179.9 million. Net impact from divestitures was CHF 5.9 million and negative currency translation effects amounted to CHF 26.0 million. This solid result was achieved despite continuing supply chain restrictions and multiple Covid-related factory lockdowns in China.

Sales in the Flow Equipment division declined by 3.4%, mainly due to a low order backlog in Energy at the beginning of the year. Sales in Industry (+0.5%) and Water (+0.7%) were stable. Services achieved overall year-on-year sales growth of 0.7%. A strong performance in the Americas (8.5% growth) more than offset the Russia-related decline in EMEA (6.0%). Sales in Asia-Pacific were stable (0.5%). In Chemtech, sales were up by 14.8% thanks to high order intake, strong execution and rigorous efforts to overcome Covid-related lockdowns in China.

Russia exit and Poland closure

As announced in H1 2022, the exit from the Russian market and the closure of our Polish entities were initially recorded in Sulzer's midyear results with the recognition of impairments and other write-downs of assets in all affected businesses, and the classification as assets held for sale for the Russian entities. In February 2023, Sulzer signed an agreement to sell its business in Russia to a local third party. The transaction is subject to regulatory approvals by the Russian government subcommission for control over foreign investments and the Federal antimonopoly service (FAS). As of December 31, 2022, the total impact on net income from the closures amounted to CHF 133.7 million.

While a number of income statement KPIs and balance sheet positions are impacted, the write-offs are excluded from operational profit, which therefore provides a fair view of Sulzer's operational performance. The impact of write-offs was partially mitigated by CHF 21.0 million of net financial income (shown below EBIT) mostly arising from foreign exchange movements on unhedged intercompany loans to Russia. Additionally, backlog adjustments of CHF 28.0 million associated with the exit from Russia were booked in the period up to December 31, 2022.

Gross profit margin

Reported gross profit margin amounted to 29.5% (2021: 30.0%), mainly affected by inventory write-offs in Russia. When excluding these extraordinary impacts, gross profit margins increased in all divisions. Overall gross profit declined by CHF 7.3 million to CHF 939.6 million (2021: CHF 946.9 million).

Increase in operational profitability

Operational profit – which excludes the impacts of exiting Russia and Poland – amounted to CHF 317.6 million compared to CHF 293.3 million by the end of 2021, an increase of 8.6%. Higher volumes, generally higher margins and continued spending discipline led to a year-on-year increase in operational profitability of 70 basis points to 10.0% (2021: 9.3%).

Whereas operational profitability remained stable in the Services division, both Flow Equipment and Chemtech improved year on year:

- Flow Equipment increased to 6.6% compared to 5.9% in 2021
- Services remained flat at 14.2%
- Chemtech improved operational profitability to 10.8% compared to 10.0% in 2021

Bridge from operational profit to EBIT

millions of CHF	2022	2021
Operational profit from continuing operations	317.6	293.3
Amortization	-38.8	-50.2
Impairments on tangible and intangible assets	-44.5	-4.2
– thereof Russia / Poland exit	-32.4	–
Restructuring expenses	-0.1	-9.5
Non-operational items ¹⁾	-122.8	-7.7
– thereof Russia / Poland exit	-114.9	–
EBIT from continuing operations	111.4	221.8

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

EBIT impacted by Russia and Poland exits

Expenses impacting EBIT and related to the exit from Russia and closures in Poland amounted to CHF 147.3 million, representing the vast majority of a total of CHF 167.4 million in one-off expenses recorded in 2022 (2021: CHF 21.4 million). Accordingly, EBIT amounted to CHF 111.4 million compared to CHF 221.8 million in 2021. Return on sales (ROS) was 3.5% compared to 7.0% by December 31, 2021.

Calculation of return on sales (ROS) and operational profitability

millions of CHF	2022	2021
EBIT from continuing operations	111.4	221.8
Sales from continuing operations	3'179.9	3'155.3
Return on sales (ROS) from continuing operations	3.5%	7.0%
Operational profit from continuing operations	317.6	293.3
Sales from continuing operations	3'179.9	3'155.3
Operational profitability from continuing operations	10.0%	9.3%

Financial result

Total net financial expenses amounted to CHF 1.6 million, compared with net financial expenses of CHF 21.7 million in 2021. Net interest expenses increased from CHF 15.3 million by December 31, 2021, to CHF 17.6 million for the same period in 2022. Fair value changes on financial assets and liabilities had a positive impact of CHF 24.0 million (CHF 1.3 million in 2021). Currency exchange losses amounted to CHF 6.6 million (CHF 6.0 million in 2021), including a positive foreign exchange effect of CHF 21.0 million arising from unhedged intercompany loans to Russian entities prior to their classification as held for sale. Other financial expenses amounted to CHF 1.5 million (CHF 1.6 million in 2021).

Effective tax rate influenced by write-offs

Income tax expenses amounted to CHF 79.0 million, compared with CHF 57.2 million in 2021. The increase was driven by higher operational profit levels, as well as the write-off of tax receivables and deferred tax assets in the Russian legal entities amounting to CHF 7.4 million. The effective tax rate (ETR) increased from 28.9% (2021) to 73.8% (2022) as a result of the higher income tax expenses described above compared to a lower profit before tax due to the costs related to the exit from the Russian and Polish business.

Net income and core net income

By Dec 31, 2022, net income amounted to CHF 28.0 million, compared with CHF 140.7 million in the previous year. Basic earnings per share therefore decreased from CHF 4.10 by Dec 31, 2021, to CHF 0.85 in 2022. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 213.1 million, compared with CHF 195.3 million in 2021.

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

millions of CHF	2022	2021
Net income from continuing operations	28.0	140.7
Amortization	38.8	50.2
Impairments on tangible and intangible assets	44.5	4.2
Restructuring expenses	0.1	9.5
Non-operational items ¹⁾	122.8	7.7
Tax impact ²⁾	-21.1	-17.0
Core net income from continuing operations	213.1	195.3

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

²⁾ Tax impact calculated using Weighted Average Tax Rate applied to tax relevant items in above calculation.

Bridge from net income from continuing operations to net income

millions of CHF	2022	2021
Net income from continuing operations	28.0	140.7
Net income from discontinued operations before gain on net assets derecognized	–	23.2
Gain on net assets derecognized ¹⁾	–	1'255.1
Net income	28.0	1'418.9

1) Details are described in note 5 to the consolidated financial statements.

Key balance sheet positions

Total assets as of December 31, 2022, amounted to CHF 4'620.2 million, a decrease of CHF 390.3 million from December 31, 2021. Non-current assets decreased by CHF 250.0 million to CHF 1'584.2 million, with lower defined benefit assets for the pension funds in Switzerland (CHF 134.2 million) being the main driver. This decrease was triggered in the first half of 2022 by the remeasurement of the net pension assets, with IAS 19 asset ceiling rules limiting the balance sheet recognition of the surplus funding in the Swiss plans. Additionally, lower goodwill (CHF 50.4 million, with CHF 41.8 million arising from FX impacts and CHF 8.6 million due to the write-off in Russia), lower other intangible assets (CHF 42.2 million, of which CHF 6.7 million were for impairments in Russia) and lower property, plant and equipment (CHF 33.5 million, of which CHF 16.2 million was Russia-related) were recorded.

Current assets decreased by CHF 140.2 million. Excluding the CHF 28.6 million reclassified as held for sale, cash and cash equivalents decreased by CHF 280.5 million due to lower operational cash generation, continued investment in core and new business and the repayment of a bond. Difficulties in the supply-chain led to a significant increase in inventories (CHF 46.8 million, net of CHF –31.4 million related to the Russia exit) as did trade accounts receivable (CHF 36.3 million, net of CHF –8.6 million Russia related). Contract assets also saw a CHF 56.8 million increase (net of CHF –26.8 million related to Russia), largely offset by higher contract liabilities.

Total liabilities decreased by CHF 139.6 million to CHF 3'591.5 million as of December 31, 2022. Both current and non-current borrowings were reduced (CHF 154.8 million in total). In non-current liabilities deferred income tax liabilities decreased (CHF 31.1 million), as did defined benefit obligations (CHF 57.8 million). Amongst current liabilities, the largest change was an increase in contract liabilities (CHF 57.8 million). CHF 25.4 million of liabilities were classified as held for sale. Equity decreased by CHF 250.7 million to CHF 1028.6 million. This was driven by low net income (CHF 28.0 million), the remeasurement of defined benefit obligations net of deferred tax impacts (CHF –75.5 million), dividend distribution (CHF 120.3 million) and negative currency translation differences (CHF 60.3 million).

Free cash flow impacted by global supply chain constraints

Cash flow from operating activities declined to CHF 119.2 million due to a significant increase in working capital, needed to mitigate the difficult global supply chain environment. Free cash flow amounted to CHF 58.3 million, compared with CHF 210.5 million reported in the same period of the previous year (excluding Applicator Systems Divisions at CHF 28.2 million).

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2022	2021
Cash flow from operating activities	119.2	315.9
– thereof discontinued operations	–	49.0
Purchase of intangible assets	–8.7	–6.9
Sale of intangible assets	0.0	0.2
Purchase of property, plant and equipment	–61.2	–79.2
Sale of property, plant and equipment	9.0	8.7
Free cash flow (FCF)	58.3	238.7
– thereof discontinued operations	–	28.2
– thereof continuing operations	58.3	210.5

Cash flow from investing activities totaled CHF–87.8 million, compared with CHF 432.3 million in 2021, with the latter including an impact from the Applicator Systems division spin-off (CHF 344.3 million net), and also CHF 302.6 million from net changes in financial assets. Cash-out for acquisitions and divestitures amounted to CHF 21.9 million in 2022, compared to CHF 131.9 million in the previous year. For the purchase and sale of property, plant and equipment, Sulzer paid net CHF 52.2 million in 2022 (2021: CHF 70.5 million).

Cash flow from financing activities totaled CHF –285.4 million compared with CHF –382.5 million by the end of 2021. In 2022, Sulzer reduced its borrowings by a net CHF 152.5 million and dividend payments to shareholders of Sulzer Ltd. amounted to CHF 80.6 million, compared with CHF 91.9 million in 2021. The net change in cash since January 1, 2022, amounted to CHF –280.5 million, including exchange losses on cash and cash equivalents of CHF 26.4 million. CHF 28.6 million of cash is being reclassified as held for sale.

Outlook for 2023

Sulzer has started the year with a strong order backlog and expects continued growth in its markets despite ongoing uncertainties. We believe that fundamental megatrends will continue to drive strong demand for Sulzer’s technologies.

For 2023, Sulzer expects orders to increase 3 to 6%. Sales are expected to grow by 7 to 9%. Operational profitability is expected to further improve to above 10.0%.

One-off effects have impacted net income negatively in 2022. As no comparable impacts are expected for 2023, Sulzer expects net income in 2023 to be significantly higher compared to 2022.

Abbreviations

EBIT: Earnings before interest and taxes

ROS: Return on sales

EBITDA: Earnings before interest, taxes, depreciation and amortization

FCF: Free cash flow

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

Significant rise in order intake and profitability

Note: If not otherwise indicated, changes from the previous year are based on organic figures (adjusted for currencies and acquisitions).

The Flow Equipment division returned a strong performance in 2022. Order intake increased by 8.9%, despite the war in Ukraine, while profitability rose by a substantial 70 basis points year on year. Sales were impacted by corrections in the Energy market during the pandemic and fell by 3.4%. Effective January 2023, Jan Lüder took charge of Flow Equipment as its new Division President. The division continues to pursue its strategy of broadening its sustainability-enhancing and cleantech solutions. It closed the year with its best safety performance in over 15 years.

New Division President

On January 1, 2023, Jan Lüder took over the leadership of the Flow Equipment division as its new Division President. Jan brings extensive experience in leading successful international businesses – from 2019 to 2022 he was CEO of thyssenkrupp Mining Technologies, where he led the transformation of the EUR 1.2 billion business from loss-making to sustainable profit. Before that, he was CEO of various thyssenkrupp entities, in addition to CEO roles at Primetals Technologies and Siemens Metals Technologies.

The Flow Equipment division has accelerated growth in energy transition applications, with fourfold growth in renewable and sustainable applications. The sectors with the highest growth rates were [waste to energy](#), [biofuels](#) and solar, where Sulzer offers customers a combination of process knowledge, engineering expertise, product reliability and optimized lifecycle costs.

The division is also seeing successes in its [carbon capture, utilization and storage \(CCUS\)](#) projects, further increasing our contribution towards CO₂ reduction with new orders for specialized multistage, high pressure, supercritical CO₂ injection pumps. In 2022, Sulzer was awarded a project to provide the pumping solutions for one of the largest CCUS operations in the world, accounting for 20% of all human-made CO₂ captured in the world each year. Our technologies will enable the capture of the low-pressure CO₂ emissions being vented during the natural gas extraction process, and then compress them to sales-quality supercritical CO₂ for use in various applications.

Key figures Flow Equipment

millions of CHF	2022	2021	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	1'419.2	1'324.7	7.1	9.4	8.9
Order intake gross margin	30.2%	30.0%			
Order backlog as of December 31	850.1	811.5	4.8		
Sales	1'323.0	1'389.0	-4.8	-3.1	-3.4
EBIT ³⁾	32.6	35.1	-7.2		
Operational profit	87.4	81.4	7.3	6.8	7.5
Operational profitability	6.6%	5.9%			
Employees (number of full-time equivalents) as of December 31	5'263	5'325	-1.2		

1) Adjusted for currency effects.

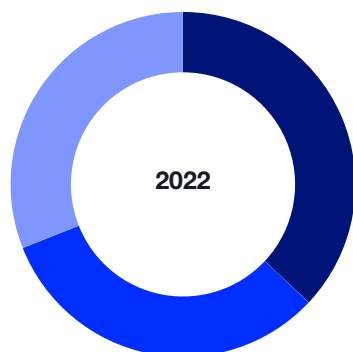
2) Adjusted for acquisition and currency effects.

3) Impacted by write-offs related to Russia and Poland.

Strong order intake growth

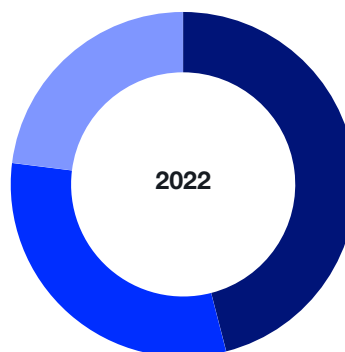
The Flow Equipment division continued its strong growth trajectory with orders increasing by a significant 8.9% in 2022, more than compensating for the impacts of the war and the subsequent exit from the Russian market. The growth was driven by the Industry and Energy business units in particular, which returned 12.8% and 11.0% growth respectively.

Order intake by market segment



- 37% Water
- 32% Energy
- 31% Industry

Order intake by region



- 46% Europe, the Middle East and Africa
- 31% Americas
- 23% Asia-Pacific

Rising profitability

Sales in the Flow Equipment division fell by 3.4%, largely due to a drop in Energy orders in 2021 associated with market corrections during the pandemic and ongoing supply chain difficulties. Profitability increased by 66 basis points from 5.9% to 6.6%, despite the slight drop in sales, thanks to well-implemented cost discipline and efficiency measures.

Safety performance in 2022

In 2022, Flow Equipment reported a significantly improved accident frequency rate (AFR) of 1.1 cases per million working hours compared to the previous year (2021: 1.9). The accident severity rate (ASR) decreased slightly to 33.3 lost days per million working hours, down from 35.4 in the previous year. Almost all business units delivered a good, sustained safety performance, most notably BU Water, to achieve these results. The "Take Care" campaign released in Q4 2021 continued to build momentum throughout 2022 and has had a very positive effect. In 2022, the Flow Equipment division had seven fewer lost time incidents compared to 2021. The 2022 safety performance of the Flow Equipment division was its best result for more than 15 years.

Abbreviations

EBIT: Earnings before interest and taxes

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

Resilient performance on orders, sales and profitability

Note: If not otherwise indicated, changes from the previous year are based on organic figures (adjusted for currencies and acquisitions).

Order intake in the Services division rose by 1.6% in 2022, while profitability remained stable at a high 14.2%. Excluding the impact from the Russia exit, order intake would have been substantially higher. Sales remained basically flat (+0.7%), despite the division being worst affected by Sulzer's exit from the Russian market. The division continues to strengthen its portfolio of services as the most complete player in the market, maximizing the efficiency and life cycles of a diverse range of customers' equipment for critical applications.

Services strengthening its positioning as most complete player in the market

The Services division continues to strengthen its portfolio of services, technologies and coverage of products used in critical applications, now the most complete player in the market. We are applying the latest additive manufacturing and repair technologies for pumps, gas turbines and aeroderivative gas turbines. We are also developing low-emission solutions to bring older fleets up to the latest emissions standards – our improved offering allows us to provide faster, more sustainable and differentiated options to end-users and extend the life of our customers' equipment.

Furthermore, the division is developing and deploying energy diagnostic tools to further its leadership position in retrofit solutions – supporting its customers in many industries with their decarbonization goals. Sulzer's retrofit solutions along with digital monitoring can provide extraordinary efficiency and thus energy savings to customers across industries. One recent example: in 2022 the Services division was selected by a large desalination operator in Spain to upgrade their pumping system. The upgrade helped the plant to reduce its operational expenditure by CHF 400'000 per year and its CO₂ emissions by 1'571 tonnes per year. Sulzer continues to strengthen its position in the desalination market as the market leader for pump optimizations, driving progress in this traditionally energy-intensive industry.

Key figures Services

millions of CHF	2022	2021	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	1'171.3	1'163.4	0.7	1.8	1.6
Order intake gross margin	38.9%	38.0%			
Order backlog as of December 31	492.9	479.5	2.8		
Sales	1'117.0	1'117.7	-0.1	0.8	0.7
EBIT ³⁾	54.0	148.2	-63.5		
Operational profit	159.0	158.7	0.2	1.4	0.8
Operational profitability	14.2%	14.2%			
Employees (number of full-time equivalents) as of December 31	4'559	4'571	-0.3		

1) Adjusted for currency effects.

2) Adjusted for acquisition and currency effects.

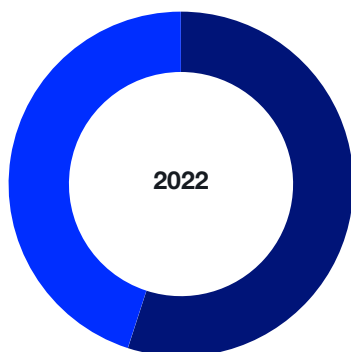
3) Impacted by write-offs related to Russia and Poland.

Order intake remains resilient

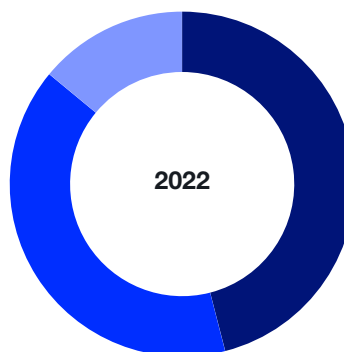
Order intake in the Services division rose by 1.6% compared with 2021. The Americas saw solid growth across all product lines (+11.1%), while the Asia-Pacific region also performed well (+2.4%), buoyed by particularly strong activity in Southeast Asia. Europe, the Middle East and Africa returned solid order intake, excluding the impact of Russia, driven by high orders in the Middle East in particular.

Order intake by market segment

Order intake by region



- 55% Pumps Services
- 45% Other Equipment



- 46% Americas
- 40% Europe, the Middle East and Africa
- 14% Asia-Pacific

Margins stable at high levels

Sales remained flat at CHF 1'117 million (+0.7%). Increased sales in the Americas and the Middle East were able to compensate for shortfall in sales caused by the Russian exit. Profitability remained unchanged at 14.2% thanks to proactive price management and strict cost control.

Safety performance in 2022

The Services division's accident frequency rate remained at a very low level of 1.0 cases per million hours worked. The accident severity rate decreased significantly, down 34%, from 36 lost days per million working hours in 2021 to 23.7 lost days per million working hours in 2022. Over the course of 2022, the division increased the number of safety observations by 27% and the number of safety walks by 54%, reflecting the active participation in and commitment to safety amongst our employees.

In addition, progressive investment in machinery safeguarding upgrades continues to ensure safe conditions in our service centers. The division will keep focusing on reducing the number of accidents and their severity by improving safety awareness with pre-work planning and stop work authority.

Abbreviations

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

Record order intake, sales and profitability

Note: If not otherwise indicated, changes from the previous year are based on organic figures (adjusted for currencies and acquisitions).

The Chemtech division continued its strong performance in 2022, with order intake rising by 22.5% compared with 2021. Sales also saw strong growth of 14.8%, while profitability rose to 10.8%. The division continues to pursue its strategy of driving growth in its Renewables segment, which was up by 37.8%. The division is now under the leadership of Uwe Boltersdorf, who took over as Division President on January 1, 2023.

New Division President

Uwe Boltersdorf took over as the new Division President of the Chemtech division, effective January 1, 2023. Uwe brings a wealth of technical and commercial expertise and leadership experience – before his promotion to Division President he gained intricate knowledge of Chemtech's businesses as Global Head of Technologies and Operational Excellence for the division. Before joining Sulzer, Uwe held various management roles from 2014 to 2021 at thyssenkrupp Industrial Solutions in the EPC, plant engineering and licensing businesses, including as Chief Sales Officer for its chemical plant engineering business (formerly Uhde). Uwe has a PhD in Chemical Engineering from the University of Dortmund, Germany.

Continuing Chemtech's growth path in Renewables

The Chemtech division continued to drive growth and expand its offering across its Renewables businesses, supported by increased investment in R&D. The division is building on its expertise in biobased polymers, clean fuels and chemicals, polymer recycling, and carbon capture and storage. In 2022, the [Chemtech division acquired a stake in CELLiCON](#) to scale up its groundbreaking manufacturing technology for nano-structured cellulose – a highly sustainable, plant-based alternative to conventional polymers. The technology slashes the traditionally high costs and footprint associated with nanocellulose, allowing it to be scaled and used as a building block for a wide variety of everyday products, from textiles to glues. CELLiCON's technology thereby further expands the Chemtech division's offering in the development of biobased polymers and is helping to stimulate growth in this segment.

Storing renewable energy and decarbonizing shipping

The division supplies European Energy with a solution to one of renewable energy's greatest barriers: how to store the energy for later use. European Energy's groundbreaking process will use Sulzer's separation and mixing expertise to convert renewable electricity from solar panels and wind turbines into other forms of easier to store energy, namely e-methanol. Chemtech will provide separation technology for the purification of the e-methanol. The plant in Southern Denmark will be the world's first commercial-scale e-methanol plant and will produce green methanol for use in combustion engines and as a chemical feedstock. With a total output of 32'000 metric tonnes of carbon-neutral hydrocarbon-based fuels per year, the facility will help to progress the decarbonization of the global freight industry by fueling A.P. Moller – Maersk's first zero-carbon container ship.

Key figures Chemtech

millions of CHF	2022	2021	Change in +/-%	+/-% adjusted ¹⁾	+/-% organic ²⁾
Order intake	834.9	679.5	22.9	21.7	22.5
Order intake gross margin	31.7%	30.7%			
Order backlog as of December 31	501.7	433.2	15.8		
Sales	739.9	648.5	14.1	12.9	14.8
EBIT ³⁾	38.3	53.6	-28.6		
Operational profit	80.0	64.8	23.6	23.0	23.3
Operational profitability	10.8%	10.0%			
Employees (number of full-time equivalents) as of December 31	2'852	3'734	-23.6		

1) Adjusted for currency effects.

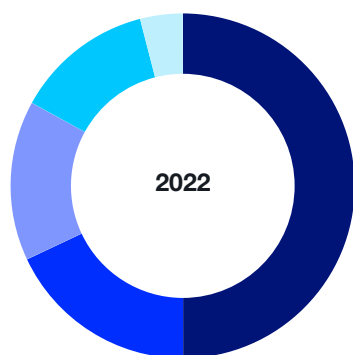
2) Adjusted for acquisition and currency effects.

3) Impacted by write-offs related to Russia.

Strong order growth

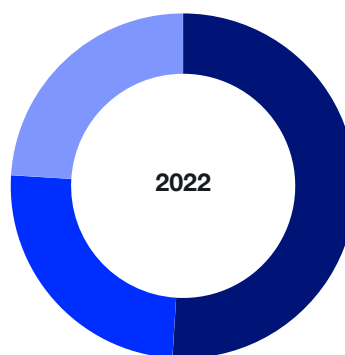
Orders in the Chemtech division continued on their strong growth path, rising 22.5% in 2022. The increase was driven by significant growth in most business segments, particularly in the Renewables business, which grew by 37.8%. Renewables accounted for 15.4% of Chemtech's business in 2022, up from 13.6% in 2021, evidencing the continued healthy growth of the segment with steady orders of all sizes.

Order intake by market segment



- 50% Chemicals
- 18% Gas and Refining
- 15% Renewables
- 13% Services
- 4% Water

Order intake by region



- 51% Asia-Pacific
- 25% Americas
- 24% Europe, the Middle East and Africa

Rising sales and profitability

Sales also grew by a significant 14.8%, with all of Chemtech's business units contributing to this substantial growth. The increase was driven by very strong execution and excellent work from Chemtech's teams to catch up following extended lockdowns in China. Profitability rose by 80 basis points to 10.8%, thanks to scaling effects and cost discipline.

Safety performance in 2022

Chemtech's accident frequency rate (AFR) remained at a very low level of 0.8 cases per million working hours. The accident severity rate (ASR) increased to 44 lost days per million working hours, up from 17 the year before, due to two accidents with extended recovery periods. Accident severity has become a key focus point for the division's accident prevention, with a particular focus on the human factor. The number of registered safety walks and safety observations recorded have increased significantly, with the insights and learnings from these providing a solid foundation for future accident prevention.

The division has also incorporated monitoring of the safety performance of non-Sulzer employees (i.e., contractors) into Chemtech's reporting to focus on key areas with our partners and improve collaborative safety performance.

Abbreviations

EBIT: Earnings before interest and taxes

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



Corporate governance

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Corporate structure and shareholders

Sulzer is subject to Swiss corporate and stock exchange laws and applies the Swiss Code of Best Practice for Corporate Governance.

Sulzer Ltd (“the Company”) is subject to the laws of Switzerland, in particular Swiss corporate and stock exchange laws. The Company also applies the Swiss Code of Best Practice for Corporate Governance. The information in the following section is set out in the order defined by the SIX Swiss Exchange Directive on Information relating to Corporate Governance (DCG), with subsections summarized as far as possible. Sulzer’s consolidated financial statements comply with International Financial Reporting Standards (IFRS), and in certain sections readers are referred to the financial reporting section of the Sulzer Annual Report 2022. Sulzer reports the compensation of the Board of Directors and the Executive Committee in the [compensation report](#). Unless otherwise indicated, the following information refers to the situation on December 31, 2022. Accordingly, the corporate governance report does not reflect the revised corporate law in force as of January 1, 2023. The Board of Directors intends to propose at the Shareholders’ Meeting in April 2023 the revision of the current Articles of Association in order to adapt them to the revised law. The proposed amendments will be explained in a report of the Board of Directors accompanying the invitation to the Shareholders’ Meeting. Further information on corporate governance is published at www.sulzer.com/governance.

Corporate structure

The Company’s business is managed on a divisional basis, and the organizational Group structure corresponds to these reporting segments, which consist of the Flow Equipment division (renamed in 2021 from Pumps Equipment), the Services division (renamed in 2021 from Rotating Equipment Services) and the Chemtech division. The operational corporate structure is shown under [note 3](#) to the “consolidated financial statements” in the financial reporting section. Sulzer Ltd is the only Sulzer company listed on a stock exchange. It is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891/ISIN CH0038388911). On December 31, 2022, the market capitalization of all outstanding registered shares of Sulzer Ltd was CHF 2’466’890’640. Information on the subsidiaries included in the consolidation can be found under [note 37](#) to the “consolidated financial statements”. The list comprises all consolidated direct subsidiaries of Sulzer Ltd as well as all further consolidated subsidiaries.

Significant shareholders

According to notifications of Sulzer shareholders, two shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2022. As published on the SIX disclosure platform on May 29, 2018, Tiwel Holding AG held 48.82% of Sulzer's shares. The beneficial owner of these shares is Viktor Vekselberg. Furthermore, The Capital Group Companies, Inc., announced a stake of 3.02% as published on the SIX disclosure platform on August 12, 2022. The shares are directly held by the Capital Research and Management Company. For information on shareholders of Sulzer Ltd that have reported shareholdings of over 3% or a reduction of shareholdings below 3%, please refer to the website of the Disclosure Office of SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. For the positions held by Sulzer and information on shareholders, see [note 25](#) to the "consolidated financial statements". There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 5%. For information on transactions with related parties, see [note 33](#) to the "consolidated financial statements".

Capital structure

Share capital

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

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the Company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees shall only be entered in the share register with the right to vote if they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into a written agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register if the above-mentioned conditions are not met (see also § 6a of the [Articles of Association](#)). On December 31, 2022, ten nominees holding a total of 1'499'005 shares (4.38% of total shares) had entered into agreements concerning their status. No exceptions were granted. All of those shares were entered in the share register with voting rights. Other than these restrictions on nominee voting, there are no transfer restrictions and no privileges under the Articles of Association. A removal or amendment of the nominee voting restrictions requires a shareholders' resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the restricted share units (RSUs) issued to the members of the Board of Directors as well as performance share units (PSUs) and RSUs issued to the members of the Executive Committee are set out under [note 32](#) to the "consolidated financial statements" and under [note 12](#) to the "financial statements of Sulzer Ltd".

Board of Directors

Members of the Board of Directors are elected individually for a term until the end of the next AGM. At the AGM of April 6, 2022, Peter Löscher, Mikhail Lifshitz and Gerhard Roiss did not stand for re-election. All other members were re-elected. Suzanne Thoma was elected as Chairwoman of the Board of Directors. In addition, Markus Kammüller was elected as a new member of the Board of Directors. The Board consists of six members. Except for Suzanne Thoma, who was also appointed the company's CEO as of November 1, 2022, and became the Executive Chair, none of the members of the Board of Directors has ever held an executive position at Sulzer.

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

Elections and terms of office

The Articles of Association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. Each member is elected individually. The term of office for members of the Board of Directors lasts until the next AGM. At the AGM of April 6, 2022, five Board members were re-elected to the Board of Directors. Peter Löscher, Mikhail Lifshitz and Gerhard Roiss did not stand for re-election. Markus Kammüller was elected as additional member of the Board of Directors. The Board consists of six members: one from Cyprus/Israel, one from Denmark, one from France/Switzerland and three from Switzerland. Professional expertise and international experience played a key role in the selection of the members. The members of the Board of Directors and their CVs can be viewed below. Details of the former members of the Board of Directors can be viewed at www.sulzer.com/former-BoD-members.

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

Internal organization

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

- The Audit Committee (AC)
- The Nomination Committee (NC)¹
- The Remuneration Committee (RC)¹
- The Strategy and Sustainability Committee (SSC)

¹ The Nomination and Remuneration Committee was split into two separate committees after the 2022 AGM on April 6, 2022.

The [Board of Directors and Organization Regulations](#) and the relevant Committee Regulations, which are published under [corporate governance](#) (see "Regulations"), define the division of responsibilities between the Board of Directors and the Executive Committee. They also define the authorities and responsibilities of the Chairperson of the Board of Directors and of the four standing board committees.

Appointment of an Executive Chair

The Board of Directors appointed its Chairwoman, Suzanne Thoma, as Executive Chair of Sulzer as of November 1st, 2022. In this role, she assumed operational management of the Company and also took over the responsibilities of the CEO. The Board of Directors identified a need for action in view of the constantly evolving market environment and the associated structural shift in demand in the energy and infrastructure sectors. Therefore, the Board has tasked Suzanne Thoma with conducting a thorough review and comprehensive realignment of Sulzer's strategy. To ensure optimal cooperation and transparency between the Board of Directors and the Executive Committee in these fluctuating market conditions, the Board of Directors entrusted Suzanne Thoma with managing Sulzer as a whole in an executive chair model.

Outlook governance framework changes

To ensure an appropriate governance framework and to ensure checks and balances in an executive chair governance model, the Board has decided to take measures and to strengthen its corporate governance framework by establishing a separate, standing corporate governance committee and by appointing a lead independent director, who will chair the governance committee. Subject to being re-elected to the Board at the 2023 AGM, the Board intends to entrust its current member Markus Kammüller with the position of lead independent director. The lead independent director shall ensure, on behalf of the Board of Directors, that the rules of good corporate governance are adhered to in the decision-making of the Board. In this context, the lead independent director may call for and chair meetings of the non-executive Board members whenever required. He should also act as a point of contact for members of the Board to discuss matters regarding the Company's corporate governance that they would like to raise in the absence of the Executive Chair.

The governance committee will consist of three non-executive and independent Board members and will meet at least once annually. The governance committee will support the Board of Directors in fulfilling its duties by providing independent advice to the Board of Directors with respect to checks and balances in a governance model where certain Board members have executive functions. Within this scope, the governance committee oversees the Company’s compliance with the Swiss Code of Best Practice for Corporate Governance, its internal organizational regulations as well as applicable legal, regulatory and listing requirements in terms of corporate governance and advises the Board on these aspects. It will periodically review the principles of corporate governance and counsel the Board of Directors with regard to significant developments in the law and best practice of good governance. Furthermore, the governance committee will act as a sounding board for the lead independent director.

Due to her appointment as Executive Chair, Suzanne Thoma will step down as member of the Remuneration Committee and as chair of the Nomination Committee, on which she will continue to serve as a regular member only and which will further consist of two non-executive, independent members of the Board of Directors after the 2023 AGM.

The Board of Directors and its committees



Board of Directors

<p>Suzanne Thoma Chairwoman</p> <p><small>Chairwoman since April 6, 2022</small></p>	<p>Matthias Bichsel Vice Chairman</p> <p><small>Vice Chairman since April 6, 2022</small></p>	<p>Hanne Birgitte Breinbjerg Sørensen</p>
<p>David Metzger</p>	<p>Alexey Moskov</p>	<p>Markus Kammüller</p> <p><small>since April 6, 2022</small></p>

Audit Committee	Nomination Committee ¹	Strategy and Sustainability Committee	Remuneration Committee ¹
<p>Hanne Birgitte Breinbjerg Sørensen Chairwoman</p>	<p>Suzanne Thoma Chairwoman</p>	<p>Suzanne Thoma Chairwoman</p>	<p>Hanne Birgitte Breinbjerg Sørensen Chairwoman</p>
<p>David Metzger</p>	<p>Hanne Birgitte Breinbjerg Sørensen</p>	<p>Matthias Bichsel</p>	<p>Suzanne Thoma</p>
<p>Alexey Moskov</p>	<p>Markus Kammüller</p>	<p>David Metzger</p>	<p>Alexey Moskov</p>
<p>Markus Kammüller</p>			

1) Following the AGM 2022, the Board of Directors split the former Nomination and Remuneration Committee into two separate committees (the Nomination Committee and the Remuneration Committee).

CVs of members of the Board of Directors

Dr. Suzanne Thoma¹

Chairwoman of the Board

Chairwoman of the Nomination Committee and the Strategy and Sustainability Committee

Member of the Remuneration Committee

Educational background

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

Binding interests

- Member of the Board of Directors, BayWa r.e., Munich
- Member of the Board of Directors, Swiss Ventures Group, Zurich
- Vice President of the foundation "Avenir Suisse", Switzerland

Career

Dr. Suzanne Thoma (Switzerland) was elected as member of Sulzer's Board of Directors in 2021 and as Chairwoman in 2022. In addition, Suzanne Thoma was appointed Executive Chairwoman of Sulzer as of November 1, 2022. From 2013 to 2022, she was CEO of BKW AG, Berne, Switzerland. Prior to being appointed CEO of BKW, she was a member of the Group Executive Committee of BKW, responsible for the Networks division. Before that, she was head of the Automotive division of the WICOR Group, Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland. Suzanne Thoma also served in various management roles and countries at Ciba Specialty Chemicals Ltd. (now BASF).

¹) Chairwoman since April 6, 2022, and Executive Chair since November 1, 2022

Matthias Bichsel¹**Member of the Board, Vice Chairman²****Member of the Strategy and Sustainability Committee³****Educational background**

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

Binding interests

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

Career

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

1) Not standing for re-election at the AGM 2023

2) Since April 6, 2022

3) Chairman until April 6, 2022, member since April 6, 2022

Alexey Moskov

Member of the Board

Member of the Remuneration Committee¹**Educational background**

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

Binding interests

- Member of the Board of Directors, Witel Ltd (formerly Renova Management Ltd), Switzerland
- Member of the Board of Directors, OC Oerlikon, Switzerland
- President of the Board of Directors, Liwet Holding AG, Switzerland (as of 2022)
- Chairman of the Board of Directors, A2-Link AG, Switzerland

Career

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

1) Since April 6, 2022

Hanne Birgitte Breinbjerg Sørensen¹Chairwoman of the Audit Committee and the Remuneration Committee²

Member of the Nomination Committee

Educational background

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

Binding interests

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

Career

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

1) Not standing for re-election at the AGM 2023

2) Chairwoman since April 6, 2022

David Metzger

Member of the Board

Member of the Strategy and Sustainability Committee¹ and Audit Committee**Educational background**

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

Binding interests

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

Career

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

1) Member since April 6, 2022

Markus Kammüller¹

Member of the Board

Member of the Nomination and the Audit Committee

Educational background

- Degree in Business Administration, University of Applied Sciences, Lucerne, Switzerland

Binding interests

- Member of the Board of Directors, Gonset Holding SA, Gonset Immeubles d'Entreprises SA and Gonset Immeubles Résidentiels SA, Switzerland

Career

Markus Kammüller (Switzerland) joined the Sulzer Board of Directors in 2022. He is the founder and owner of ExecDelta GmbH, a company specialized in transformation and change-management consulting. Prior to establishing his own business in 2019, he held the position of Global Head of Transformation at BDO International, Brussels (2016 to 2019). Before that, he was a Partner at PwC in the role of EMEA Chief Operating Officer and Global Change Management Leader (2006 to 2016). He also held various managerial positions at IBM Switzerland (2002 to 2006) and PwC Consulting (1996 to 2002) where he was a Partner and acted as senior advisor for large listed international corporations. From 1985 to 1996 he held various roles in finance, treasury and risk management at The Dow Chemical. From 1978 to 1982 he worked in the credit department of Swiss Volksbank.

1) Since April 6, 2022

Operating principles of the Board of Directors and its committees

All decisions are made by the full Board of Directors. For each application, written documentation is distributed to the members of the Board of Directors prior to the meeting. The Board of Directors and the committees meet as often as required by the circumstances. The Board of Directors meets at least five times per year; the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Sustainability Committee meet at least twice per year. In 2022, the Board held eight meetings, one additional meeting for the constitution of the Board after the AGM and nine video/conference calls lasting from five minutes to eight hours. For further details, see the table below. The CFO and the Group General Counsel as well as the Secretary of the Board of Directors also generally attend the Board meetings in an advisory role. Other members of the Executive Committee are invited to attend Board meetings as required to discuss the midterm planning, the strategy and the budget, as well as division-specific items (such as large investments and acquisitions). In exceptional cases, external consultants (e.g., legal advisors, management consultants or executive compensation experts) are also invited for the presentation or discussion of specific agenda items in meetings of the Board of Directors or any of its committees.

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

Board of Directors

Name	Nationality	Position	Entry	Elected until	Attending meetings of the					
					Board	AC	NC	SSC	RC	NRC ⁴⁾
Suzanne Thoma	Switzerland	Chairwoman, Chairwoman SSC and NC, member RC	April 2021 ¹⁾	2023	17	-	3	4	3	2
Matthias Bichsel	Switzerland	Vice Chairman of the Board, member SSC	March 2014 ²⁾	2023	18	-	-	4	-	-
David Metzger	Switzerland / France	Member AC, member SSC	April 2021	2023	18	5	-	3	-	-
Alexey Moskov	Cyprus / Israel	Member RC	April 2020	2023	15	1	-	-	3	-
Hanne Birgitte Breinbjerg Sørensen	Denmark	Chairwoman AC, chairwoman NC	April 2018	2023	18	5	3	-	3	2
Markus Kammüller	Switzerland	Member of the NC and the AC	April 2022	2023	15	4	3	-	-	-

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

1) Chairwoman since April 6, 2022

2) Vice Chairman since April 6, 2022 and until April 19, 2023

3) Split into the NC and RC after AGM 2022

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

According to Sulzer's [Articles of Association](#), the maximum number of additional mandates held by members of the Board of Directors outside the Sulzer Group is ten (of which a maximum of four mandates may be with listed companies) (§ 33). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charitable organizations) are defined in the Articles of Association (§ 33 paragraphs a, b and c). All members of the Board of Directors are within the limits for external mandates prescribed by the Company's Articles of Association.

Audit Committee

The Audit Committee (members listed above) assesses the midyear and annual consolidated financial statements and activities of the internal and statutory auditor, including effectiveness and independence, as well as the cooperation between the two bodies. It also assesses the Internal Control System (ICS), risk management and compliance; at least one meeting per year is dedicated to risk management and compliance. The regulations of the Audit Committee can be viewed at www.sulzer.com/ac-regulations. The CFO, the Group General Counsel, the Head of Group Internal Audit (who is also the Secretary of this committee) and the external auditor-in-charge attend the meetings of the Audit Committee. The Executive Chair may attend the meeting unless advised otherwise by the Head of Internal Audit. In 2022, the Audit Committee held five regular meetings, one in February, two in July, one in September and one in December. The meetings lasted, on average, between one and two and a half hours. The statutory auditor attended all of these meetings. Internal experts, such as the Group General Counsel and the Heads of Group Internal Audit, Group Corporate Finance, Group Accounting, Group IT, Group Compliance and Risk Management, and Group Tax gave presentations to the Audit Committee in 2022. In February, the Audit Committee is informed of compliance exposures as a result of periodic risk assessments, and it receives an overview of compliance cases under investigation. In September, the Audit Committee is briefed on the present state of risk management within the Company and on the results of the risk management process – a process to systematically identify and evaluate significant risks and introduce countermeasures. In the same meeting, an update on Sulzer's compliance approach, including the respective ongoing – and planned – activities, is provided. The major current compliance cases (if any) are reported to and discussed by the Audit Committee regularly.

Nomination Committee

The Nomination Committee (members listed above) assesses the criteria for the election and re-election of Board members and the nomination of candidates for the top two management levels and deals with succession planning. The Executive Chair and the Chief Human Resources Officer (who is also the Secretary of this committee) attend the meetings of the Nomination Committee. In 2022, three regular meetings were held in July, September and December, taking on average one hour. The regulations of the Nomination Committee are available at www.sulzer.com/nc-regulations.

Remuneration Committee

The Remuneration Committee assesses the compensation systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets for the latter) on behalf of the Board of Directors and in accordance with its specifications. It carries out broad-based compensation benchmarks with an international comparison group, supported by studies of consulting firms such as Mercer and Willis Towers Watson, and it scrutinizes the work of internal and external consultants. The members of the Remuneration Committee are elected by the Shareholders' Meeting. In 2022, three regular meetings were held in July, September and December, taking on average one hour. The regulations of the Remuneration Committee can be viewed at www.sulzer.com/rc-regulations.

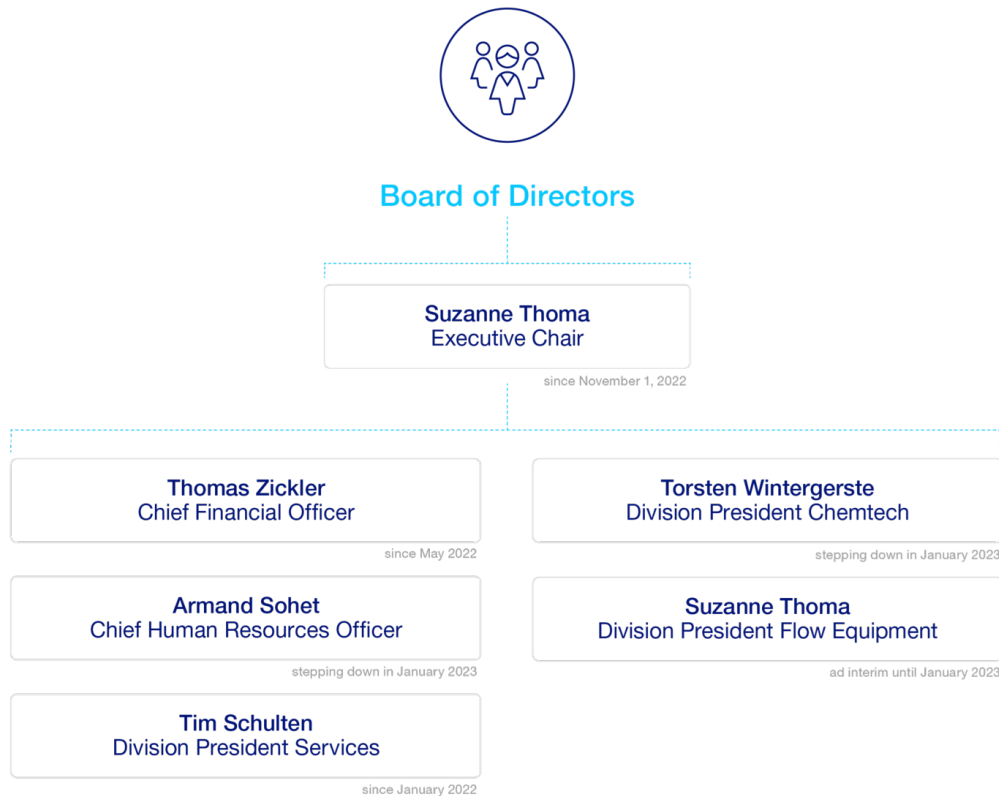
Strategy and Sustainability Committee

The Strategy and Sustainability Committee (members listed above) advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances and joint ventures), strategic planning, definition of development priorities, and the Company's sustainability initiatives and objectives as well as on other relevant public policy matters. The regulations of the Strategy and Sustainability Committee can be viewed at www.sulzer.com/ssc-regulations. In 2022, four regular meetings and one extraordinary meeting took place in February, May, June and October, lasting one and a half to two and a half hours.

Division of powers between the Board of Directors and the Executive Committee

The Board of Directors has largely delegated executive management powers to the Executive Committee. However, it is still responsible for matters that cannot be delegated in accordance with Art. 716a of the Swiss Code of Obligations. These matters include corporate strategy, the approval of midterm planning and the annual budget, as well as key personnel decisions and the preparation of the compensation report. The same applies to acquisition and divestiture decisions involving a transaction value exceeding CHF 30 million, investments in fixed assets exceeding CHF 15 million, major corporate restructurings, approval of dispute settlements with an impact on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million, as well as other matters relevant to the Company, and decisions that must be made by law by the Board of Directors. The competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the Board of Directors and Organizational Regulations at www.sulzer.com/BoD-organizational-regulations.

Management Structure



Information and control instruments

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

Group Internal Audit

Group Internal Audit reports functionally directly to the Chair of the Audit Committee, but administratively to the CFO. Meetings between Group Internal Audit and the statutory auditor take place regularly. They are used to prepare for the meetings of the Audit Committee, to review the interim and final reports of the statutory auditor, and to plan and coordinate internal and external audits. Group companies are audited by Group Internal Audit based on an audit plan that is approved by the Audit Committee. Depending on the risk category, such audits are carried out on a rotational basis either annually or every second, third or fourth year. Group Internal Audit carried out 50 audit

assignments (including audit follow-up reviews and internal controls testing) in the year under review. One of the focal points is the internal control system (ICS). The results of each audit are discussed in detail with the companies and (where necessary) the divisions concerned, and key measures are agreed upon. The Executive Chair, the members of the Audit Committee, the CFO, the Group General Counsel as well as the respective Division President and other line managers of the audited entity receive a copy of the audit report. Significant findings and recommendations are also presented to and discussed with the Executive Committee and the Group General Counsel during the biweekly Executive Committee meetings. A follow-up process is in place for all group internal audits, which allows efficient and effective monitoring of how the improvement measures are being implemented. Each year, the Head of Group Internal Audit compiles a report summarizing activities and results. This report is distributed to members of the Board of Directors and the members of the Executive Committee, and it is presented to the Executive Committee and the Audit Committee. It is discussed in both committees and, thereafter, reported to the Board of Directors.

Risk management and compliance

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

Strong values and building up a strong ethical and compliance culture

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

Risk assessment

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

Internal rules and tools

Sulzer has a Code of Business Conduct, which can be viewed in 18 languages at www.sulzer.com/governance (under “Code of Business Conduct”). Every employee of the Company (including employees of newly acquired businesses) has to confirm in writing that he or she has read and understood this code, and will comply with it. Every member of the Sulzer Management Group (approximately 70 managers), the heads of the operating companies, the headquarters, regional and local compliance officers as well as the legal entity finance heads must reconfirm this compliance commitment in writing annually. Furthermore, Sulzer joined the UN Global Compact initiative in 2010. The latest [Communication on Progress Report](#) was published on August 26, 2022, and can be downloaded from www.sulzer.com/sustainability.

Rules

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

- Bribery and corruption risks: Sulzer has had a group-wide anti-bribery and anti-corruption program in place since 2010. This program includes a web-based process that addresses the due diligence of intermediaries, a company-wide directive for offering and receiving gifts and hospitalities, and an e-training module (in thirteen languages) to familiarize Sulzer employees with the requirements of the directive.
- Antitrust and anticompetition risks: Sulzer has an antitrust directive addressing behaviors in trade associations in place.
- Export control risks: Employees involved in export activities have to comply with all applicable export and re-export laws and regulations. Sulzer rolled out and implemented its global Trade Control Directive in all legal entities concerned. Every exporting legal entity has an internal control program (ICP) in place that includes processes and defines responsibilities on export control matters and other important requirements to comply with export compliance laws and regulations.
- Further risks (e.g. non-compliance with stock exchange laws and regulations; human resource-related issues; insufficient protection of intellectual property and know-how; violations of privacy and data protection laws; product liability; risk related to environment, quality, safety and health, etc.): Focused rules and processes address these and many other potential risks. Sulzer has processes that ensure compliance with insider laws as well as stock exchange reporting and notification duties. Local compliance officers performed 27 face-to-face compliance training sessions. Due to the COVID-19 preventive measures, face-to-face sessions have been replaced by 13 compliance webinars, conducted by Group Compliance and covering 1'924 employees. In addition, 36 export control trainings have been provided.

Tools

Sulzer has a compliance hotline and an incident reporting system that provides employees with one of many options for reporting (potential) violations of laws or internal rules. Reports can be made anonymously or openly via a free hotline or a dedicated website. The Company has a directive that sets clear rules for internal investigations. Further tools are available to all employees on Sulzer's intranet (e.g. presentations addressing the major exposures, draft agreements, sales and procurement handbooks with compliance-specific explanations and standard clauses). Sulzer has a compliance risk assessment process in place to identify and assess potential compliance risks on a local entity level and to define appropriate measures. For newly acquired companies, Sulzer sets up a post-merger integration process consisting of a systematic post-merger compliance risk analysis, which provides the foundation for risk-based mitigation actions.

Organization

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

Awareness building and trainings

Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (new programs are rolled out and existing programs are updated every year), in person or through web conferences. In 2022, Sulzer employees completed 21'797 compliance e-learning courses.

Controls and sanctions

The Group Function Legal supports the audits done by Group Internal Audit following the same audit process. The Group Function Environment, Safety and Health (ESH) organized 7 external health and safety compliance audits. The focal points were occupational health and safety compliance with applicable regulations. The results of each of these audits were discussed directly with the responsible managers, and an agreement was reached on any improvements required. Audit actions are reported in a central repository (group tool) that enables the follow-up and tracking of closures and is regularly reviewed by management. The latest status of the Company's risks relating to environment, safety and health is reported to the Audit Committee once a year. Apart from these formal audits, internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication) were carried out during 2022 and at least 17 employees had to leave Sulzer because of violations of Sulzer's Code of Business Conduct. Others received warnings or faced other disciplinary measures. However, most of the reports received concerned non-material issues.

Continuous improvement

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

Executive Committee

The Executive Committee consists of the Executive Chair, the Chief Financial Officer (CFO), the Chief Human Resources Officer and Chief Sustainability Officer, the Division President Services and the Division President Chemtech.

The Board of Directors delegates executive management powers to the Executive Chair. The Executive Chair delegates the appropriate powers to the members of the Executive Committee (EC). The Division Presidents define and attain business targets for their respective divisions in accordance with group-wide goals. The [Board of Directors and Organization Regulations](#) govern, among other things, the transfer of responsibilities from the Board of Directors to the Executive Chair and the EC. There are no management contracts with third parties. None of the Executive Committee members has a contract with a notice period exceeding 12 months. The members of the Executive Committee and their CVs can be viewed below. Daniel Bischofberger stepped down from the Executive Committee in February 2022, Jill Lee in May 2022 and Frederic Lalanne in October 2022¹. Details on the former members of the Executive Committee can be found at www.sulzer.com/former-EC-members.

1) Furthermore, Armand Sohet and Torsten Wintergerste stepped down as members of the Executive Committee in January 2023.

CVs of Executive Committee members

Dr. Suzanne Thoma¹

Executive Chair

Chairwoman of the Nomination Committee and the Strategy and Sustainability Committee

Member of the Remuneration Committee

Educational background

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

Binding interests

- Member of the Board of Directors, BayWa r.e., Munich
- Member of the Board of Directors, Swiss Ventures Group, Zurich
- Vice President of the foundation "Avenir Suisse", Switzerland

Career

Dr. Suzanne Thoma (Switzerland) was elected as member of Sulzer's Board of Directors in 2021 and as Chairwoman in 2022. In addition, Suzanne Thoma was appointed Executive Chairwoman of Sulzer as of November 1, 2022. From 2013 to 2022, she was CEO of BKW AG, Berne, Switzerland. Prior to being appointed CEO of BKW, she was a member of the Group Executive Committee of BKW, responsible for the Networks division. Before that, she was head of the Automotive division of the WICOR Group, Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland. Suzanne Thoma also served in various management roles and countries at Ciba Specialty Chemicals Ltd. (now BASF).

1) Appointed as Executive Chair as of November 1, 2022

Thomas Zickler¹
Chief Financial Officer

Educational background

- Studies in economics (1988 – 1994), Johann Wolfgang Goethe-University, Faculty of Economic Science, Frankfurt on Main, Germany

Binding interests

- None

Career

Thomas Zickler (Germany and Switzerland) was appointed Chief Financial Officer and member of the Executive Committee on May 1, 2022. Thomas Zickler joined Sulzer as Head of Group Treasury in 2015 and was most recently Head of Group Corporate Finance & Shared Services. Since 2016, he has been a Member of the Board of Trustees of Sulzer Vorsorgeeinrichtung (SVE) and Johann Jakob Sulzer-Stiftung (JJS). Before joining Sulzer, he worked as Country Treasurer for ABB Switzerland in Baden (2010-2015). From 2006 until 2009, he was Vice President and Head of External Financial Reporting & Technical Accounting Policies Department for ABB Group in Zurich. Prior to this, from 1996 until 2006, he held various positions within Finance (controlling, accounting, treasury, IT consulting) at DaimlerChrysler in Stuttgart and Berlin. In 1995, he started his career in controlling at Sherwood Medical and Metallgesellschaft in Frankfurt on Main. During his studies he worked for Siemens AG in the Central Finance Department and Siemens Capital Corporation, in Munich and New York City, and as an analyst at Georg Hauck & Son Bankiers in the equity research department in Frankfurt on Main.

1) Appointed on May 1, 2022

Armand Sohet¹
Chief Human Resources Officer
Chief Sustainability Officer

Educational background

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

Binding interests

- None

Career

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

1) Stepped down as of January 1, 2023

Tim Schulten¹

Division President Services

Educational background

- Master of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH), Zurich
- Master in Business Administration, Harvard Business School, Boston

Binding interests

- Director of JCB Group Holdings Sàrl

Career

Tim Schulten (Switzerland) joined the Sulzer Executive Committee as Division President Services in 2022. Prior to that he was the Group Head for Marketing, Strategy and Digital. Before joining Sulzer, Tim Schulten was the General Manager and responsible for global Product Support & Marketing for Caterpillar's Electric Power Business. From 2012 to 2015 he was General Manager for Sales & Distribution for Caterpillar's global gas engine business, responsible for building and leading the organization during the post-acquisition integration of MWM. From 2007 to 2012, he was a Division Manager responsible for Caterpillar's Electric Power Retail business in Europe, Africa and the Middle East. Prior to that he held various positions in sales, marketing and product support with Caterpillar and he spent several years in California working in technology start-ups. Over the course of his career, he has lived in Zürich, Geneva, Munich, Boston, San Francisco, and Mannheim.

1) Appointed on January 1, 2022

Torsten Wintergerste¹

Division President Chemtech

Educational background

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

Binding interests

- None

Career

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

1) Stepped down as of January 6, 2023

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

No member of the Executive Committee may hold more than five mandates, of which no more than one may be in listed companies ([Articles of Association](#), § 33). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association (§ 33, paragraphs a, b and c). All members of the Executive Committee are within the limits for external mandates prescribed by the Company's Articles of Association.

Shareholder participation rights

Restrictions and representation of voting rights

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

Statutory quorum

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

Convocation of the Shareholders’ Meeting and submission of agenda items

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

Entry in the share register

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

Independent proxy

At the AGM of April 6, 2022, Proxy Voting Services GmbH was elected as the independent proxy for a term of office extending until completion of the next AGM. The Articles of Association do not contain rules on the granting of instructions to the independent proxy and the electronic participation in the Shareholders’ Meeting which deviate from the default Swiss law.

Takeover and defense measures

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

Auditors

The statutory auditor is elected at the AGM for a one-year term of office. KPMG AG has been acting as the statutory auditor since 2013. As of the financial year 2020, the acting external auditor-in-charge is Rolf Hauenstein. The external auditor-in-charge is replaced every seven years. The Audit Committee is in charge of supervising and monitoring the statutory auditor, and it reports to the Board of Directors (see section “Audit Committee” in the chapter “[Board of Directors](#)” of this corporate governance report). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The external auditor-in-charge and his deputy were invited to attend meetings of the Audit Committee. In 2022, the statutory auditor was present at all five Audit Committee meetings. The Audit Committee or its Chairperson meets separately with the Head of Group Internal Audit and the statutory auditor at least once a year to assess (among other things) the independence of the internal and statutory auditors. The Audit Committee evaluates the work done by the statutory auditor based on the documents, reports and presentations provided by the statutory auditor, as well as on the materiality and objectivity of their statements. To do so, the Audit Committee gathers the opinion of the CFO. The Audit Committee reviews the fee paid to the auditor regularly and compares it with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO and approved by the Board of Directors. Further information on the auditor, in particular the auditor’s fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed under [note 34](#) to the “consolidated financial statements”. All advisory services provided outside the statutory audit mandate (essentially, consulting services related to audit and accounting as well as legal and tax advisory services) are compliant with the applicable independence rules.

Risk management

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

Risk	Risk exposure	Main loss controls
External and markets		
Market assessment	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	<ul style="list-style-type: none"> – Continuous monitoring and assessment of market developments – Systematic midrange planning based on market developments and expectations
Geopolitical shocks	<p>A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.</p> <p>48.82% of Sulzer's shares are beneficially owned by Viktor F. Vekselberg, who is listed as a Specially Designated National by the US Office of Foreign Assets Control and subject to sanctions in other jurisdictions including the Ukraine, Japan, the UK, Australia, New Zealand, Canada and Poland. These sanctions and possible future sanctions in further countries could result in negative media coverage, damage to Sulzer's reputation and impair existing business relationships with customers, suppliers, banks or other business partners as well as Sulzer's ability to win future business.</p> <p>On April 25, 2022, Sulzer Pumps Wastewater Poland Sp. z o.o. and Sulzer Turbo Services Poland Sp. z o.o. were sanctioned in Poland due to Viktor F. Vekselberg's ownership stake in Sulzer. Subsequently, Sulzer had to wind down its commercial activities in Poland.</p>	<ul style="list-style-type: none"> – Monitoring of exposure in critical countries – Monitoring of debt situation of countries and banks – Continuous monitoring of raw material prices and inflation indicators – Sulzer's global presence mitigates the effect of geopolitical shocks – Continuous monitoring of international sanctions environment and seeking of advice by reputable sanctions law firms – Maintaining and enhancing a robust sanctions compliance program – Continuous monitoring of international sanctions environment and seeking of advice by reputable sanctions law firms – Maintaining and enhancing a robust sanctions compliance program
Strategic		
Innovation	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	<ul style="list-style-type: none"> – A phased process, technical risk manageability assessments and key performance indicators to ensure quality of the development – Product development council with strong focus on strategic plans and digitalization – Prototypes and own test beds to test and validate products before market release – Core technology council for research of basic technology – Focus on innovation with strategic customers – Innovation and ideation projects – Implementation of an expert development program for key critical resources
Environment, Social and Governance (ESG)	ESG-related regulations could change. Stakeholder expectations related to ESG commitments could change. Not meeting regulatory requirements could result in fines, limit access to financing, impact banking channels and result in loss of business and reputational damages	<ul style="list-style-type: none"> – Board Strategy and Sustainability Committee extended to cover ESG and sustainability – Setting of clear ESG-related objectives and progress tracking – ESG initiatives driven by EC including different group and business functions covering regulatory requirements and supply chain due diligence – ESG assessments in business projects
Operational		

Attraction and retention	Failure to attract, retain and develop people could lead to a lack of critical skills and knowledge, which hinders both daily operations and growth potential.	<ul style="list-style-type: none"> – Ensuring that Sulzer’s people and performance efforts are anchored to the Company’s values and behaviors – Ongoing feedback through employee opinion survey “Voice of Sulzer” – Robust internal communications strategy – Ongoing engagement in workshops and collaborative activities – Visibility and access to creating development experiences and opportunities – Consistent approach to salary grading and benchmarking
Health and safety	An unsafe working environment could lead to harm to people, reputational damage, fines as well as liability claims and could have a serious economic impact.	<ul style="list-style-type: none"> – Health and safety directives, guidelines, programs (e.g. Safe Behavior Program) and training – OHSAS 18001 and ISO 45001 certifications – Monthly health and safety controlling and regular audits, systematic risk assessments – Global network of health and safety officers – Immediate implementation of COVID-19 preventive measures in all legal entities and workplaces, including: informing and training employees on COVID-19 preventive measures; implementation of risk assessment procedures, travel ban for high-risk countries and approval concepts for business travel; implementation of remote working; implementation of remote video to support final acceptance procedures in manufacturing
Environmental	Environmental damage could lead to harm to people and nature, reputational damage, fines as well as liability claims and could have a serious economic impact.	<ul style="list-style-type: none"> – Mitigation in comprehensive environmental due diligence (EDD) projects for acquisitions and divestitures – Elimination of environmentally damaging substances through Prohibited Substances List – Sulzer sustainability strategy that defines key targets in view of climate change
Compliance	Non-compliant or unethical behavior could lead to reputational damage, fines and liability claims.	<ul style="list-style-type: none"> – Active fostering of high ethical standards by tone from the top and middle management – Continuous monitoring and assessment of potential exposures – Continuous monitoring of regulatory environment – Sulzer Code of Business Conduct and a number of supporting regulations (e.g. anticorruption, antitrust, trade control) – Third-party due diligence process – Global and centrally led organization of compliance and trade compliance officers – Compliance training (incl. e-learning) and audits – Sensitive country list with escalation process and project-specific compliance assessments in high-risk countries – Speak-up culture, compliance hotline and sanction checks
Quality of products and services	Failure of high-quality products and services could lead to repeated work, reputational damage or liability claims.	<ul style="list-style-type: none"> – Quality management and assurance systems tailored to specific businesses – Third-party accreditation – Competence development programs and training of employees – Test centers
Business interruptions	Business interruption, such as a fire, could cause damage to people, property and equipment. It could have a negative effect on the ability to operate at the affected site. Security incidents could impact the IT infrastructure or systems, which could result in a business interruption. Business interruption caused by pandemic-related lockdowns or bottlenecks in logistics centers, lack of transport capacities, lack of raw materials or electronic parts or increased demand could have an impact on operations and supply chains and thus could lead to serious economic impact.	<ul style="list-style-type: none"> – Crisis and emergency management systems (at global and local level) including close monitoring of incidents which could impact supply chains – Risk management policy and guidelines – Global manufacturing footprint and global procurement – IT security standards, measures and incident response team – Disaster recovery plans in IT – Implementation of COVID-19 business interruption response team to support businesses in becoming qualified as essential service providers

		<ul style="list-style-type: none"> – Global monitoring of COVID-19-related governmental decisions and COVID-19 impacts on supply chains and availability of raw materials – Enhancement of IT infrastructure to cope with higher data volumes during extended remote work
<hr/>		
Financial		
Financial markets	The unpredictability of financial markets may have a negative effect on Sulzer’s financial performance and its ability to raise or access capital.	<ul style="list-style-type: none"> – Group financial policy – Foreign exchange risk policy – Trading loss limits for financial instruments
Credit	Credit risks arising from financial institutions and from customers could have a negative effect on Sulzer’s financial performance and ability to operate.	<ul style="list-style-type: none"> – For financial institutions, only parties with a strong credit quality are accepted (third-party rated) – Individual risk assessment of customers with large order volumes – Continuous monitoring of country risks
Liquidity	Failure in liquidity risk management may have a negative effect on Sulzer’s financial performance and its ability to operate.	<ul style="list-style-type: none"> – Continuous liquidity monitoring – Management of liquidity reserves at group level – Cash flow program to optimize liquidity and cash flow management – Efficient use of available cash through cash pooling

Information policy

Sulzer Ltd reports on its order intake every quarter (media releases) and on its financial results every half-year. In each case, it also comments on the business performance and outlook. In addition, the Company reports on important events on an ongoing basis (ad hoc publications). The reporting referred to in the [compensation report](#) (including the respective references to the financial reporting section) complies with the recommendations on the content of the compensation report as laid out in section 42 of the Swiss Code of Best Practice for Corporate Governance.

The announcements of the Company are published in the Swiss Official Journal of Commerce. In accordance with § 38 of the [Articles of Association](#), the Board of Directors is at any time authorized to designate further publication organs. Notices to registered shareholders in those cases prescribed by law shall take place in writing to the shareholder's address last known to the Company.

The address of the Company's main registered office is at Neuwiesenstrasse 15, 8401 Winterthur.

Key dates in 2023

- February 20: Annual results 2022
- April 17: Order intake Q1 2023
- April 19: AGM 2023
- July 25: Midyear results 2023
- October 25: Order intake nine months 2023

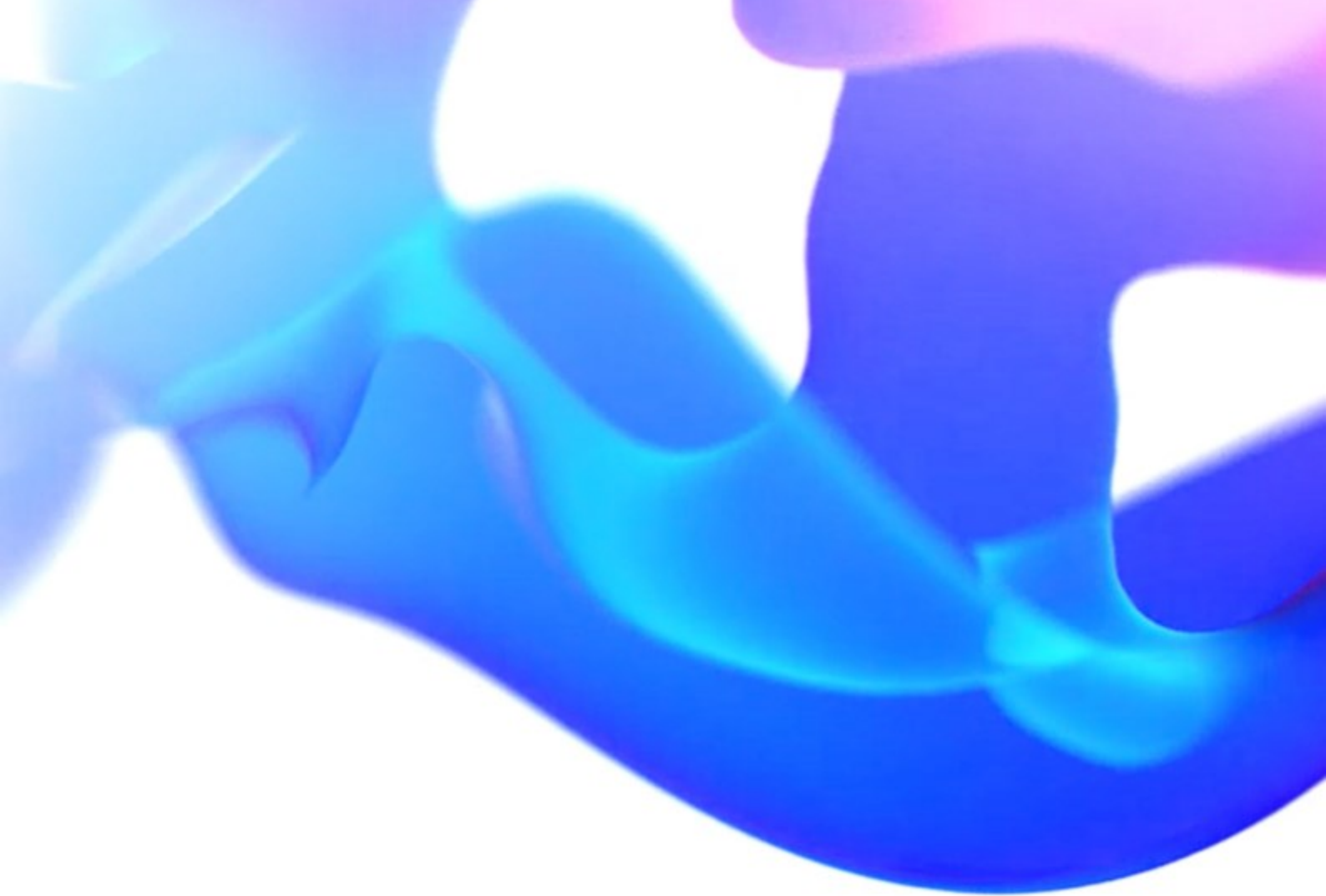
These dates and any changes can be viewed at www.sulzer.com/events. Media releases (sent via e-mail) can be subscribed to at www.sulzer.com/subscribe. Other information is available on the Sulzer website www.sulzer.com, or by contacting Investor Relations: <https://www.sulzer.com/en/about-us/investors>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

Material changes between December 31, 2022, and the publication of this report

Matthias Bichsel and Hanne Birgitte Breinbjerg Sørensen will not stand for re-election at the 2023 AGM. Furthermore, Armand Sohet and Torsten Wintergerste stepped down as members of the Executive Committee effective as of January 1, 2023, and January 6, 2023, respectively. Armand Sohet was succeeded by Haining Auperin as Chief Human Resources Officer and Chief Sustainability Officer and Torsten Wintergerste by Uwe Boltersdorf, Division President Chemtech. Jan Lüder started as Division President Flow Equipment as of January 1, 2023.

General blackout periods

Generally, and regardless of whether any inside information exists or not, pursuant to Sulzer Ltd's Securities Trading Regulation, the trading in Sulzer Ltd securities is prohibited for (a) the members of the Board of Directors and the Executive Committee, (b) any staff reporting to any member of the Executive Committee, (c) members of Group Finance, Group Planning and M&A, Group Communications and Investor Relations, and (d) any external advisors having access to inside information in connection with Sulzer Ltd's financial reporting, during the following periods: (i) the periods starting on January 1 and July 1 until and including the trading day of the public releases of the respective full-year or half-year reports (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight) and (ii) the periods starting on April 1 and October 1 until and including the trading day of the public releases of the respective quarterly results (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight). Under certain circumstances (in particular in case of personal hardship), the Company may allow exceptions to a blackout period upon reasoned request by an employee, provided that such employee is not in possession of any inside information. Such exceptions must be issued in writing with a copy to the employee's file.



Compensation report

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Paying for sustainable performance

Winterthur, February 20, 2023

Dear Shareholder,

On behalf of the Board of Directors and of the Remuneration Committee (RC), I am pleased to present this 2022 Compensation Report. At Sulzer we have put in place a compensation system that allows us to attract, motivate and retain the talent we need to ensure the company's success. We have not made any changes to the current framework and have kept our principles unchanged.

The year 2022 was marked by a solid performance, albeit impacted by the geopolitical situation that led us to close our operations in Poland and leave Russia. We have taken these exceptional events into account, and you will find more details in this report on how compensation was affected.

The Board also took the decision to appoint its Chairwoman, Suzanne Thoma, as Executive Chair of Sulzer effective November 1, 2022. In this role, she will also drive the business operationally and enable an optimization of the strategy review. She replaces Frédéric Lalanne, who resigned at the end of October 2022. The Remuneration Committee also sought to reflect the nature of these two roles in Suzanne Thoma's remuneration. You will find more details in this report on this particular subject.

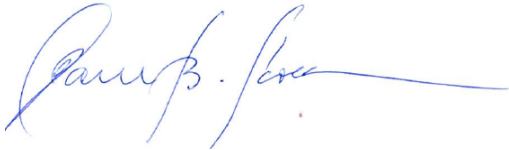
The Remuneration Committee also carried out its regular activities, including the determination of the financial targets for the long-term remuneration plans, the determination of the maximum aggregate for the Board of Directors and the Executive Committee, the analysis of the individual objectives of the members of the Executive Committee, and the analysis of the remuneration benchmark for the Board of Directors and the Executive Committee. In 2021, we also conducted with Mercer an equal pay analysis on all Swiss entities. These results, which were audited by KPMG, showed that there was no gender pay gap in Switzerland. In 2022, we continued this analysis with respect to nine countries and plan to continue this study with respect to 14 countries in 2023. On this last point, the Remuneration Committee reviewed the group of companies that Sulzer uses as a benchmark for remuneration and revised it to accurately reflect the size of our company.

In terms of pay levels, we increased neither base salaries nor the target amounts for the bonus and PSP. In addition, there were no special grants on variable compensation. The target cash compensation thus remained unchanged for 2022 compared to 2021. The compensation for the Executive Committee amounted to kCHF 11'536 in 2022, a sharp reduction of 21.0% compared to 2021 (kCHF 14'609) and was therefore below the maximum amount previously approved by Sulzer's AGM 2021 for the period in question.

Compensation paid to the Board of Directors in 2022 was below the maximum amounts previously approved by the AGM for the period in question. No changes to the Board's compensation were deemed necessary. At Sulzer's AGM in 2023, you will be asked to vote on the maximum aggregate compensation for the Board of Directors for its 2023–2024 term and on the maximum aggregate compensation for the Executive Committee for 2024.

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

Sincerely,



Hanne Birgitte Breinbjerg Sørensen
Chairwoman of the Remuneration Committee

Compensation governance and principles

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

Remuneration Committee

The [Articles of Association](#), the [Board of Directors and Organization Regulations](#), and the [Remuneration Committee Regulations](#) define the functions of the Remuneration Committee (RC). The RC supports the Board of Directors in establishing and reviewing the compensation strategy and principles, and in preparing the proposals for the Shareholders' Meeting regarding the compensation of the members of the Board of Directors and of the Executive Committee.

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

- Periodic assessment of the compensation policy and programs
- Determination of performance targets for the CEO and the Executive Committee positions for the purpose of the incentive plans
- Preparation of the proposals for the Shareholders' Meeting on the maximum aggregate amounts of compensation for the Board of Directors and for the Executive Committee
- Determination of the target compensation for the CEO and for the Executive Committee positions
- Preparation of the compensation report

The table below describes the levels of authority:

	CEO	RC	Board	Shareholders' Meeting
Compensation policy and programs		proposes	approves	
Aggregate maximum compensation amounts for the Executive Committee and for the Board of Directors to be submitted to vote at the AGM		proposes	reviews	approves (binding vote)
Remuneration system and Board member fees		proposes	approves	
Compensation of the CEO		proposes	approves	
Individual compensation of the members of the Executive Committee	proposes	reviews	approves	
Performance objectives and assessment of the CEO		proposes	approves	
Performance objectives and assessment of the Executive Committee	proposes	reviews	approves	
Compensation report		proposes	approves	consultative vote

As per the Remuneration Committee Regulations of Sulzer AG, the RC consists of at least three members who are non-executive and independent and who are elected individually and annually by

the Shareholders' Meeting for the period of office until the following ordinary AGM¹⁾. At the 2022 AGM, Hanne Birgitte Breinbjerg Sørensen (Chairwoman) and Suzanne Thoma were re-elected as members of the RC. Alexey Moskov was elected for the first time as a member of the RC.

The RC meets as often as the business requires, but at least twice a year. In 2022, the RC held four regular meetings (of which one took place as part of the former NRC structure) that were attended by all members. Besides the standard agenda items, the RC discussed investors' feedback on the AGM 2021 and further focused its efforts on the definition of the compensation packages for the CEO Frédéric Lalanne and Suzanne Thoma in her dual role of CEO and Chairwoman of the Board. A major review of the peer group was carried out in order to align the remuneration structure of the Executive Committee with a representative benchmark of our industry.

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

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

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

1) Since the appointment of Suzanne Thoma as Executive Chair with effect from November 1, 2022, the requirement that all the members of the RC are non-executive and independent is no longer met. Therefore, Suzanne Thoma will not stand for re-election to the RC in the 2023 AGM, and the company intends to propose another non-executive and independent candidate instead.

Shareholders' role and engagement

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

Furthermore, the [Articles of Association](#), which are also subject to shareholders' approval, govern the principles of compensation. They include the following provisions related to compensation):

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

Compensation architecture for the CEO and Executive Committee members

Compensation principles

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

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

Method of determining compensation: benchmarking

To ensure compensation levels that are competitive and in line with market practice, the compensation of the Board of Directors and of the Executive Committee is benchmarked against that of similar roles in comparable companies every one to two years.

The RC regularly reviews the composition of the peer group, which is applied for benchmarking purposes. In 2021, the committee decided to revise the composition of the peer group from 2022 onward. Twelve industrial companies of comparable size and complexity from the Swiss market form the peer group, which is used to derive the compensation levels for the Board of Directors and for the Executive Committee.

While the previous peer group represented a good benchmark in terms of sales and headcount, the market capitalization of the peer group was well above Sulzer's value. With the new benchmarking peer group, all three criteria are comparable to Sulzer in size.

Compensation benchmark

The comparison group reflects Sulzer's ambitious business strategy:

- ALSO
- Bucher Industries
- Clariant
- dormakaba
- Forbo
- Galenica
- Geberit
- Georg Fischer
- Landis + Gyr
- OC Oerlikon
- Schindler
- Sonova

The intention is to pay target compensation around the median of the relevant market. Nevertheless, compensation is not granted based on benchmark results alone. The role, responsibility, experience and in particular the difference between a new entrant to a role and someone with experience who has already demonstrated their impact in a similar role, are also criteria in determining remuneration. A globally applied job-grading methodology fosters internal equity.

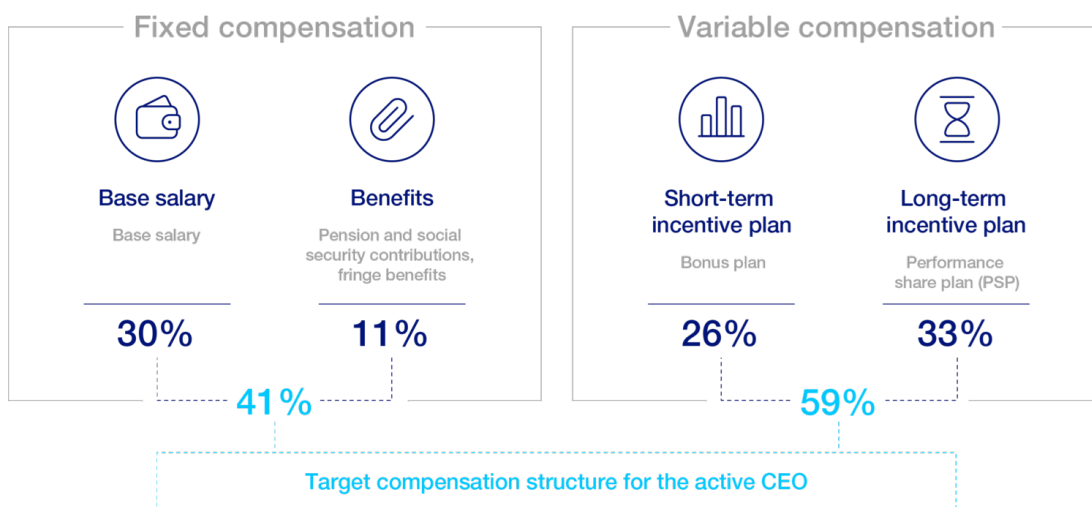
The compensation of the Executive Committee is governed by internal regulations such as the total reward policy, the bonus plan, the performance share plan and benefits plans. The compensation of the Executive Committee is reviewed by the RC annually and, if necessary, adjusted and approved by decision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

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2022)	Share ownership guidelines (SOG)
Main parameters	Function, level of role, profile of incumbent (skill set, experience)	Pension and social security contributions, fringe benefits	Achievement of annual financial and individual objectives	Achievement of long-term, company-wide objectives, share price performance	Level of role
Key drivers	Labor market, internal job-grading	Protection against risks, labor market, internal job-grading	Operational profit, sales, operational operating net cash flow (operational ONCF)	Operational profit growth, operational return on average capital employed adjusted (operational ROCEA), relative total shareholder return (TSR)	Share price performance
Link to compensation principles	Competitive compensation	Competitive compensation	Pay-for-performance, strategy alignment	Pay-for-performance, strategy alignment, ownership	Ownership
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSUs) settled in shares	Obligation to privately invest in Sulzer shares and to hold these shares until the end of the service period
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee. Clawback provisions implemented.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1'000'000 for the CEO and between CHF 330'000 and CHF 400'000 for the other members of the Executive Committee (EC). Vesting payout percentage is capped at 250% and vesting value is capped at CHF 2'500'000 for the CEO and at CHF 825'000 for the other members of the EC. Malus and clawback provisions implemented.	CEO: 200% of base salary. Other members of the Executive Committee: 100% of base salary.
Grant/vesting/payment date	Monthly	Monthly and/or annually	March of the following year	Grant: April 1, 2022 Vesting: December 31, 2024 Share delivery: March 2025	–
Performance period	–	–	1 year (January 1, 2022–December 31, 2022)	3 years (January 1, 2022–December 31, 2024)	–

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

Overview of compensation elements



In line with the pay-for-performance principle, a significant portion of the compensation of the CEO (59%) and for the other members of the Executive Committee (52%) consists of variable incentives based on performance. Furthermore, the compensation structure ensures sustainable long-term growth, as the long-term variable compensation makes up the largest portion of the target total compensation (see “Overview of compensation elements”).

Base salary (fixed, in cash)

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

Benefits

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

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

Bonus (variable, performance-based, cash remuneration)

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

Performance appraisal

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

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

Category	Weight	Objectives	Rationale		CEO/CFO/ CHRO	Division President		
Financial performance	70%	Operational profitability	Measure of profitability (bottom line)	Sulzer	25%	7.5%		
				Division		17.5%		
		Sales	Measure of growth (top line)	Sulzer	25%	7.5%		
				Division		17.5%		
		Operational operating net cash flow (operational ONCF)	Measure of cash generated	Sulzer	20%	6%		
				Division		14%		
		Individual performance	30%	Cost-effectiveness	Objectives linked to cost reduction or optimization	Individual	10%	10%
				Growth initiatives	Include initiatives that support the growth of Sulzer, such as M&A projects, breaking into new markets or new accounts	Individual	5%	5%
Faster and better	Initiatives focused on the profitability of Sulzer, with objectives linked to speed ("faster") and quality ("better")			Individual	5%	5%		
		Sustainable Sulzer	Objectives linked to the three major priorities of Sulzer's sustainability plan, namely minimizing our carbon footprint, enabling a low carbon society and engaging our employees and communities	Individual	10%	10%		
				Total	100%	100%		

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

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

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

In order to measure individual performance, each Executive Committee member is given different personal objectives for each of the four individual performance categories (“Cost-effectiveness”, “Growth initiatives”, “Faster and better” and “Sustainable Sulzer”) at the beginning of the financial year. The CEO reviews the individual performance based on the personal objectives of each Executive Committee member, which in turn is reviewed by the RC. The CEO’s individual performance is assessed by the RC.

“Cost-effectiveness”, for example, includes objectives like cost-saving (travel spend reduction, real estate cost reduction, etc.), whereas objectives for the category “Faster and better” considers, among others, on-time delivery percentage improvement. “Growth initiatives” include, for example, successful completion of M&A actions or sales growth in specific countries.

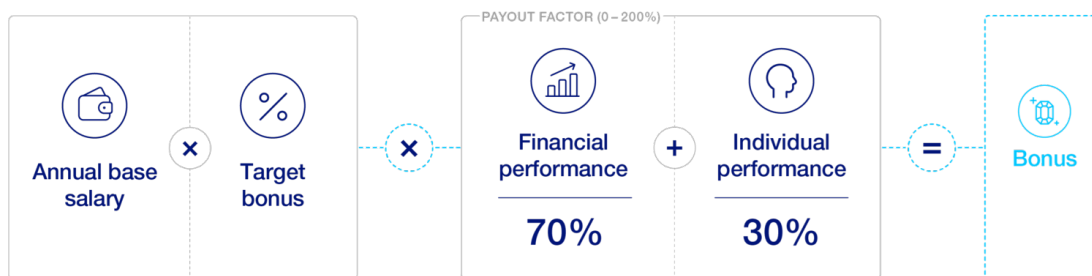
The “Sustainable Sulzer” criteria used to assess the performance of the Executive Committee are structured around the three major priorities of Sulzer’s sustainability plan, namely minimizing our carbon footprint, enabling a low-carbon society and engaging our employees and communities. The following topics are examples that could be considered for the Executive Committee:

Minimizing carbon footprint	Enabling a low-carbon society	Engaging employees and communities
– Reduction of greenhouse gas emissions	– Increase in the energy efficiency of our products	– Employee engagement
– Energy consumption, and the supply of decarbonized energy to our production sites	– Solutions to treat wastewater and provide access to water for populations that are deprived of it	– Employee accident rate
– Reduction of waste and the recycling of our waste	– Low-carbon or decarbonized solutions such as the conversion of waste into eco-fuel or the capture of CO ₂	– Number of employees enrolled in the health and wellbeing program, Sulzer in Motion
	– Circular economy	

Sulzer strives for transparency in relation to pay-for-performance. However, further disclosure of financial and individual objectives may create a competitive disadvantage to the company, because it would reveal sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each financial objective as well as the aggregated individual performance at the end of the performance cycle (see chapter [“Compensation of the Executive Committee for 2022”](#)).

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

Bonus calculation



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

Strategic link of bonus plan

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

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

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

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

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

- Operational profit before restructuring, amortization, impairments and non-operational items growth, weighted at 25%
- Average operational return on capital employed (operational ROCEA), weighted at 25%
- Relative total shareholder return (TSR) weighted at 50% and measured based on the performance against international peers, measured as a percentile ranking

Peer group for relative TSR performance of PSP 2022

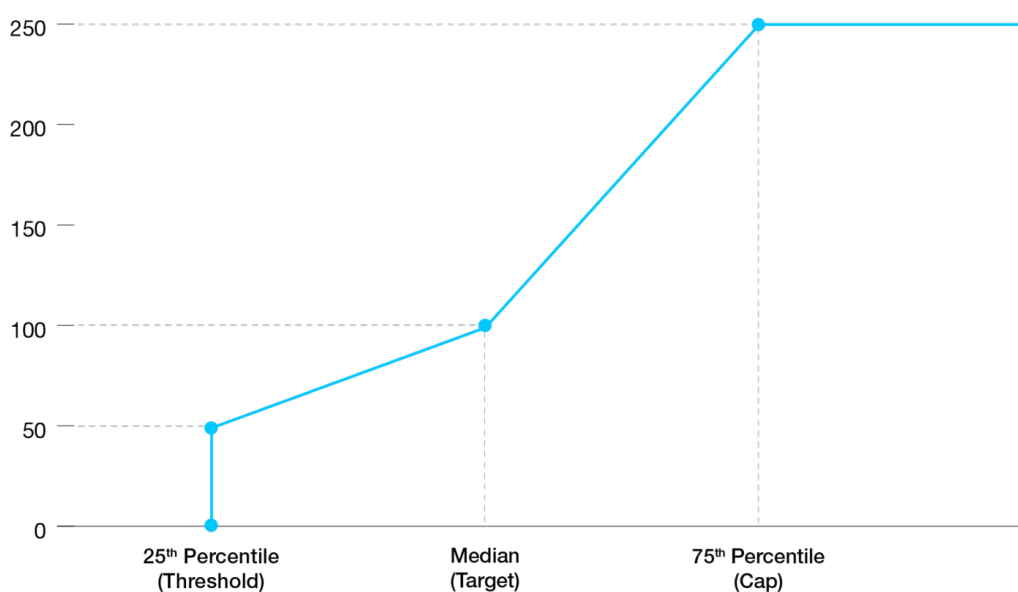
International peers

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

The Board of Directors can alter the composition of the peer group if deemed necessary, such as in the case of a merger or acquisition or any other change leading to a delisting or a fundamental change in the scope of the business of a peer group company. In such a situation, the Board will select new peer companies. There is a predefined successor list of companies to support the Board of Directors in the selection process.

The threshold, target and maximum for the relative TSR in the international peer group remained unchanged.

2022: Relative TSR – Industrial peers



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

Disclosure of internal financial objectives may create a competitive disadvantage for the company because it could reveal sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each performance criteria at the end of the performance cycle based on the following metric (see chapter “[Compensation of the Executive Committee for 2022](#)”).

Level of performance

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

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

Number of PSUs vested

Number of PSUs granted	Achievement opProfit Level (0–250%) × 25%	Achievement average opROCEA (0–250%) × 25%	Achievement relative TSR (0–250%) × 50%	Number of PSUs vested
Number of PSUs granted Grant values are defined based on the level of the role: CEO: CHF 1'000'000 EC: CHF 330'000 – 400'000	Factor based on absolute opProfit Absolute opProfit is an absolute value reflecting the planned value in the last year of the performance period.	Factor based on average opROCEA Average opROCEA is the sum of adjusted opROCE based on audited figures in each fiscal year of the performance period, divided by the number of such years.	Factor based on relative TSR Relative TSR is defined as share price growth plus dividends during the vesting period divided by the ending share price, measured against peers.	Number of PSUs vested: The maximum vesting value is capped at a multiple of the value at grant: CEO: CHF 2'500'000 EC: CHF 825'000 – 1'000'000

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

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

Strategic link of PSP

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

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

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

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

Malus and clawback

The Board of Directors may determine that PSUs are forfeited in full or in part (malus) or that a vested award will be recovered in full or in part (clawback) in situations of material misstatement of the financial results, an error in assessing a performance condition or in the information or assumptions on which the award was granted or vested, serious reputational damage to the company, gross negligence, or willful misconduct on the part of the participant. In 2021, the clawback clause was extended to cover bonuses, whereby Sulzer may recover in full or in part any relevant bonus compensation from Executive Committee members in situations of material misstatement of the financial results, an error in assessing a performance condition or gross misconduct of the participant.

Further information on share-based compensation can be found in [note 32](#) to the consolidated Financial Statements of Sulzer Ltd.

Contracts of employment

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

Shareholding requirements

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

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

Compensation of the Executive Committee for 2022

Compensation of the Executive Committee: overview

In the course of establishing the combined role of the Chairwoman of the Board of Directors and the CEO, compensation for both roles was revised in autumn 2022. Three clear principles were followed by the Board of Directors in order to establish remuneration for the combined role:

- Firstly, market practice was considered to ensure that the remuneration of the Chairwoman as well as the CEO function are in line with the revised benchmarks.
- Secondly, the role of Chairwoman and the role of CEO are considered separately. Nevertheless, with the combined role, Suzanne Thoma participates in the Performance Share Plan as CEO only, but is not granted RSU as Chairwoman of the Board of Directors.
- Thirdly, the combined remuneration for the Chairwoman and CEO roles were positioned to be below the average remuneration observed for the CEO role alone in recent years.

In 2022, the Executive Committee received total compensation in the amount of kCHF 11'536 (previous year: kCHF 14'609). Of this total, kCHF 6'947 was in cash (previous year: kCHF 8'027); kCHF 2'822 was in PSUs (previous year: kCHF 4'486); kCHF 1'649 was in pension and social security contributions (previous year: kCHF 1'938), and kCHF 118 was in other payments (previous year: kCHF 158).

Compensation of the Executive Committee

	2022						
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	Base salary	Bonus ²⁾	Other ³⁾	Pension and social security contributions ⁴⁾	Total cash-based compensation	Estimated value of share-based grant under the performance share plan (PSP) ⁵⁾	Total (incl. conditional share-based grant)
thereof highest single compensation, Frédéric Lalanne, CEO from February 18, 2022 to October 31, 2022	760	736	8	349	1'853	1'074	2'927
Suzanne Thoma, CEO since November 1, 2022	158	142	0	61	361	179	540
Total Executive Committee ¹⁾	3'767	3'180	118	1'649	8'714	2'822	11'536

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

1) The total Executive Committee compensation for 2022 and 2021 includes the compensation of Frederic Lalanne, Division President Flow Equipment since January 2019 until February 2022 and as CEO since February 2022 until October 2022; Suzanne Thoma, CEO since November 2022; Thomas Zickler, CFO since May 2022; Tim Schulten, Division President Services since January 2022; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Greg Poux-Guillaume, CEO since December 2015 until February 2022; Jill Lee, CFO since April 2018 until April 2022; Daniel Bischofberger, Division President Services since September 2016 until February 2022; Girts Cimermans, Division President Applicator Systems since October 21, 2019 until September 19, 2021.

2) Expected bonus for the performance years 2022 and 2021 respectively, to be paid out in the following year (accrual principle).

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

4) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2022 and 2021, respectively (PSP).

5) Represents the full fair value of the PSUs granted under the PSP in 2022 and 2021, respectively. PSUs granted in 2022 had a fair value of CHF 84.69 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSUs is based on the three-month weighted average share price before the grant date (CHF 78.84 per PSU for April 2022 grants), the disclosed fair values are calculated on the grant dates by using market value approaches, which typically leads to differences between the original grant value according to the compensation architecture and the disclosed fair market values. Suzanne Thoma received a pro-rata grant of PSU in November 2022.

The total compensation of kCHF 11'536 awarded to the members of the Executive Committee for the 2022 financial year is within the maximum aggregate compensation amount of kCHF 19'500 that was approved by the shareholders at the 2021 AGM.

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

As of December 31, 2021, and December 31, 2022, there were no outstanding loans or credits granted to the members of the Executive Committee, former members of the Executive Committee or related parties.

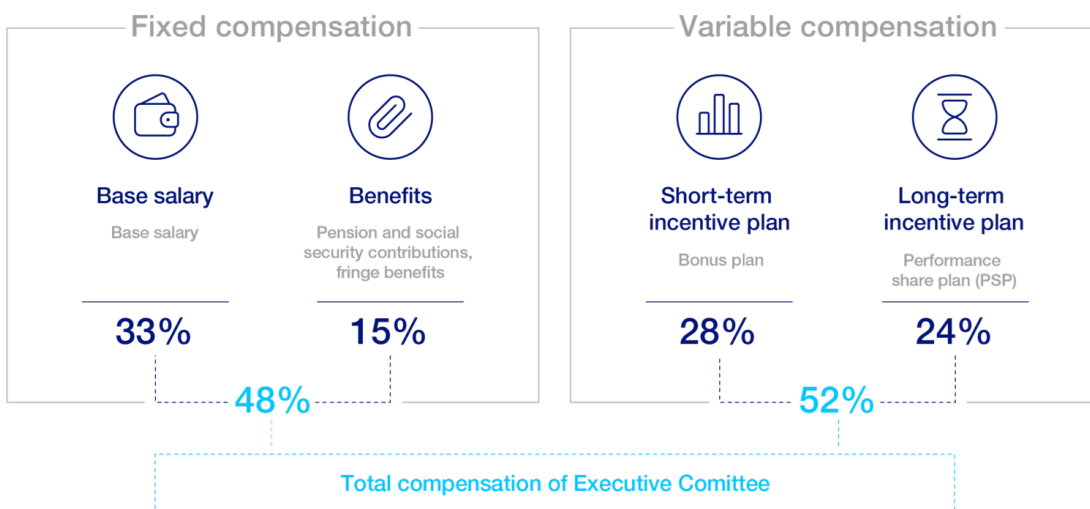
In 2022, no compensation was granted to former members of the Executive Committee. In 2022, no compensation was granted to any related parties.

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

In the following, we elaborate further on how the relevant business performance impacted the variable compensation models of our Executive Committee. More detailed information about Sulzer's operational and strategic performance in 2022 can be found in the financial report.

a) Total compensation and pay for performance ratio

Total compensation of Executive Committee



In 2022, the Executive Committee received total compensation in the amount of kCHF 11'536 (previous year: kCHF 14'609). This was an overall decrease of 21.0% from the previous year. The decrease was mainly due to a reduction in Executive Committee members associated with the ad interim dual role of CEO and Division President Flow Equipment in 2022, as well as the post-spin-off departure of the Division President of Sulzer's Applicator Systems division. In addition, the LTI target for the CEO decreased from kCHF 1'440 in previous years to kCHF 1'000 from 2022 onwards.

For the entire Executive Committee, the variable component amounted to between 43.7% and 162.1% of the fixed component (base salary, other, pension and social security contributions). This pay-for-performance relation reflects Sulzer's high-performance orientation. Further, it represents the company's strong emphasis on aligning the interests of the Executive Committee and the shareholders to create long-term shareholder value and profitable growth. On a like-for-like basis (Executive Committee members employed in both 2022 and 2021), the base salaries of the Executive Committee members remained unchanged. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

Despite the direct impact of the Polish sanctions, and the need to close down our operations in that country and our exit from Russia, the Board of Directors decided not to revise the financial targets during the year and to keep the budget at the same level. However, the Board of Directors kept the possibility of assessing the consolidated impact of the closure of sites in Poland and the withdrawal from Russia. This review was carried out in December and led to the following results: the impact of the situation affected sales by 2.6% and profitability by 6.9%.

The RC decided to make an adjustment to the bonus, which affects 5'000 employees in the company. This adjustment neutralizes the effect of lost volumes and costs incurred in winding down the businesses in Russia while engaging in negotiations to sell the businesses and of the reduced sales and costs incurred of relocating production from Poland to other sites. Overall, the adjustment led to an increase in target achievement of financial performance indicators of 18% and raised the initial payout from 81% to 99%. The Board of Directors is of the opinion that the Executive Committee and the whole business made best efforts to handle the situation in Poland and Russia and should not be held accountable for the resulting bonus decrease. The developments were neither foreseeable nor influenceable by the members of the Executive Committee.

The financial component of the bonus for 2022 ranged from 86.1% to 135.4% of targeted payout (on average 101.1%), thanks also to a high level of achievement of individual objectives. The financial performance on group level was as follows:

KPI	Weighting	Payout factor
Sales	25%	112%
Operational profitability	25%	147%
Operational ONCF	20%	24%
Total	70%	99%

The individual performance ranged from 100% to 158% to consider the exceptional team performance.

In aggregate, the financial and individual performance translated into an overall bonus payout factor ranging from 99.3% to 124.8% (on average 109.7%) for the members of the Executive Committee.

c) Long-term incentive (PSP)

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

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

The PSP framework (apart from the specific performance targets for each grant cycle), eligibility and grant entitlement remained unchanged in 2022 compared to previous years. The relevant key performance indicators (KPIs) were operating income before restructuring, amortization, impairments and non-operational items (operational profit growth), operational return on average capital employed adjusted (operational ROCEA) and relative total shareholder return (TSR) over the three-year measurement period from 2020 to 2022.

Over this three-year period, operational profit adjusted for foreign exchange and M&A impacts grew by 34% even as we had to navigate unexpected and challenging impacts from COVID-19 in 2021 and the war in Ukraine in 2022. Compared to the PSP target set by the Board of Directors, this resulted in an achievement factor of 250%.

Operational ROCEA has continued to improve from an already high level over the past three years, thanks to our determined drive for operational excellence, strict management of capital expenditures and efforts to optimize our footprint. For the maximum 250% target achievement of operational ROCEA, the Board of Directors considered the unknown effects of COVID-19 and allowed a decline of 30 bps over the course of the PSP 2020 measurement period to a still comparatively high level of 21.7%. An actual achievement of 250% was realized.

Together with a relative TSR achievement factor of 138%, which compared Sulzer's share price development against international peers as well as against the SMIM over the PSP 2020 measurement period, the resultant total payout factor is 194% for the PSP 2020.

The payout factor results and respective weighting are as follows:

KPI	Weighting	Payout factor
Operational profit	25%	250%
Operational ROCEA	25%	250%
Relative TSR	50%	138%
Total	100%	194%

Overall, the PSP vesting levels fairly reflected the operational performance, also against direct peers, over the respective three-year performance cycles, especially in light of the exceptional external influences which have been successfully mitigated. Therefore, Sulzer fully achieved the desired strong link between sustainable company performance and competitive long-term incentive payouts.

Shareholdings of the Executive Committee

As of the end of 2020, 2021 and 2022, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2022

	2022			
	Sulzer shares	Share units under vesting in equity plan		
	Sulzer shares	Performance share units (PSU) 2020	Performance share units (PSU) 2021	Performance share units (PSU) 2022
Executive Committee	32'723	16'827	12'412	20'640
Suzanne Thoma	744	-	-	2'120
Thomas Zickler	1'513	1'273	1'212	5'074
Armand Sohet	6'791	7'777	4'994	4'186
Tim Schulten	-	-	1'212	5'074
Torsten Wintergerste	23'675	7'777	4'994	4'186

Shareholdings at December 31, 2021

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

Compensation architecture for the Board of Directors

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

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

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

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

Annual compensation of the Board of Directors¹⁾

in CHF	Cash component (net of social security contributions)	Grant value of RSUs (net of social security contributions)	Lump-sum expenses
Base fee for Board Chairperson ²⁾	420'000	250'000	10'000
Base fee for Board Vice Chairperson	100'000	155'000	5'000
Base fee for Board members	70'000	125'000	5'000
Additional committee fees:			
Audit Committee / Strategy and Sustainability Committee Chairperson	60'000		
Audit Committee / Strategy and Sustainability Committee members	35'000		
Nomination / Remuneration Committee Chairperson	20'000		
Nomination / Remuneration Committee members	20'000		

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

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

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

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

Compensation of the Board of Directors for 2022

Compensation of the Board of Directors: overview

In 2022, the Board of Directors received total compensation in the amount of kCHF 2'340 (previous year: kCHF 2'862). Of this total, kCHF 1'152 was in the form of cash fees (previous year: kCHF 1'444); kCHF 905 was in RSUs (previous year: kCHF 1'155) and kCHF 283 was in the form of social security contributions (previous year: kCHF 263).

The total Board compensation paid in 2022 was 18.3% lower than in 2021, which is due to the reduced size of the Board of Directors. Nevertheless, the aggregated Board compensation was still below the maximum aggregate compensation for the Board, which was approved at the AGM 2021. The structure and level of the Board compensation remained unchanged compared with the previous year.

The portion of compensation delivered in RSUs amounts to 70% of the cash compensation for the Chairwoman, and to between 70% and 133% for the other active members of the Board of Directors. The RSUs are subject to a staged three-year vesting period.

Compensation of the Board of Directors

	2022			
thousands of CHF	Cash fees ³⁾	Restricted share unit (RSUs) plan ⁴⁾	Social security contributions ⁵⁾	Total
Board of Directors	1'152	905	283	2'340
Suzanne Thoma, Chairwoman	358	250	84	692
Matthias Bichsel, Vice Chairman	134	155	33	322
Alexey Moskov	94	125	32	251
David Metzger	131	125	37	293
Hanne Birgitte Breinbjerg Sørensen	169	125	42	336
Markus Kammüller ¹⁾	94	125	31	250
Peter Löscher, former Chairman ²⁾	105	-	15	120
Gerhard Roiss ²⁾	41	-	5	46
Mikhail Lifshitz ²⁾	26	-	4	30

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

1) Member of the Board of Directors since April 6, 2022.

2) Member of the Board of Directors until April 6, 2022.

3) Disclosed gross.

4) RSU awards granted in 2022 had a fair value of CHF 77.8203 at grant date. The amount represents the full fair value of grants made in 2022. Suzanne Thoma will not receive RSU while participating in PSP as CEO.

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

At the 2022 and 2021 AGMs respectively, shareholders approved a maximum aggregate compensation amount of kCHF 2'984 for the Board of Directors. The table below shows the reconciliation between the compensation that was/will be paid out for the two periods of office and the maximum aggregate compensation amounts approved by the shareholders.

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

thousands of CHF	Compensation earned during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2022–AGM 2023	2022	Jan 1, 2022 to 2022 AGM	Jan 1, 2023 to 2023 AGM	2022 AGM to 2023 AGM	2022 AGM	2022 AGM
Board (total)	2'340	388	307	2'259	2'984	75.7%
AGM 2021–AGM 2022	2021	Jan 1, 2021 to 2021 AGM	Jan 1, 2022 to 2022 AGM	2021 AGM to 2022 AGM	2021 AGM	2021 AGM
Board (total)	2'862	386	393	2'869	2'984	96.2%

As of December 31, 2021, and December 31, 2022, there were no outstanding loans or credits granted to the members of the Board of Directors, former members of the Board of Directors or related parties.

In 2021 and 2022, no compensation was granted to former members of the Board of Directors or related parties.

Shareholdings of the Board of Directors

As of the end of 2022 and 2021, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2022

			2022
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	23'434	21'095	44'529
Suzanne Thoma	744	4'701	5'445
Matthias Bichsel	12'600	4'406	17'006
Alexey Moskov	2'217	3'786	6'003
David Metzger	600	2'808	3'408
Hanne Birgitte Breinbjerg Sørensen	7'273	3'786	11'059
Markus Kammüller	0	1'608	1'608

Shareholdings at December 31, 2021

			2021
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	55'307	34'874	90'181
Peter Löscher	22'238	8'818	31'056
Suzanne Thoma	0	2'232	2'232
Matthias Bichsel	9'976	5'038	15'014
Mikhail Lifshitz	6'182	4'410	10'592
David Metzger	0	1'800	1'800
Alexey Moskov	639	3'756	4'395
Gerhard Roiss	14'413	4'410	18'823
Hanne Birgitte Breinbjerg Sørensen	1'859	4'410	6'269



Report of the Statutory Auditor

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Compensation Report

Opinion

We have audited the compensation report of Sulzer Ltd (the Company) for the year ended December 31, 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Stock Exchange Listed Companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in the sections “[Compensation of the Executive Committee: overview](#)” and “[Compensation of the Board of Directors: overview](#)” of the compensation report.

In our opinion, the information on remuneration, loans and advances in the enclosed compensation report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the sections “Compensation of the Executive Committee: overview” and “Compensation of the Board of Directors: overview” in the compensation report, the consolidated financial statements, the standalone financial statements of the Company and our auditor’s reports thereon.

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

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

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

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a compensation report 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 a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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 to 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.

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 16, 2023

Enclosure:
– Remuneration Report

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Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2022	2021 ¹⁾
Continuing operations			
Sales from continuing operations	3, 21	3'179.9	3'155.3
Cost of goods sold		-2'240.3	-2'208.4
Gross profit from continuing operations		939.6	946.9
Selling and distribution expenses		-317.0	-309.2
General and administrative expenses		-363.0	-358.8
Research and development expenses	11	-66.4	-64.4
Net impairment loss on contract assets and trade accounts receivable	2	-39.9	-10.8
Other operating income / (expenses), net	12	-42.1	18.1
Operating income (EBIT) from continuing operations		111.4	221.8
Interest and securities income	13	9.7	10.4
Interest expenses	13	-27.3	-25.7
Other financial income / (expenses), net	13	16.0	-6.4
Share of profit / (loss) of associates	18	-2.7	-2.2
Income before income tax expenses from continuing operations		107.0	197.9
Income tax expenses	14	-79.0	-57.2
Net income from continuing operations		28.0	140.7
Net income from discontinued operations, net of tax	5	-	1'278.3
Net income		28.0	1'418.9
- thereof attributable to shareholders of Sulzer Ltd		28.6	1'416.7
- thereof attributable to non-controlling interests		-0.6	2.2
Earnings per share (in CHF)			
Basic earnings per share	26	0.85	41.93
Diluted earnings per share	26	0.83	41.28
Earnings per share from continuing operations (in CHF)			
Basic earnings per share from continuing operations	26	0.85	4.10
Diluted earnings per share from continuing operations	26	0.83	4.03

1) Comparative information has been re-presented: Net impairment loss on contract assets and trade accounts receivable was previously included in selling and distribution expenses.

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2022	2021
Net income		28.0	1'418.9
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	30	-7.5	-2.5
Currency translation differences		-60.3	2.4
Total of items that may be reclassified subsequently to the income statement		-67.8	-0.1
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit plans, net of tax	2, 10	-75.5	88.7
Equity investments at FVOCI – net change in fair value, net of tax	19	-11.0	0.6
Total of items that will not be reclassified to the income statement		-86.5	89.3
Total other comprehensive income		-154.3	89.2
Total comprehensive income for the period		-126.2	1'508.1
- thereof attributable to shareholders of Sulzer Ltd		-125.5	1'505.8
- thereof attributable to non-controlling interests		-0.7	2.3

Consolidated balance sheet

December 31

millions of CHF	Notes	2022	2021
Non-current assets			
Goodwill	15	676.9	727.3
Other intangible assets	15	234.3	276.5
Property, plant and equipment	16	360.5	394.0
Lease assets	17	90.1	89.2
Associates	18	41.8	25.5
Other non-current financial assets	19	28.5	18.0
Defined benefit assets	10	1.3	134.3
Non-current receivables		1.0	5.3
Deferred income tax assets	14	149.9	164.2
Total non-current assets		1'584.2	1'834.2
Current assets			
Inventories	20	522.4	475.6
Current income tax receivables		28.3	26.7
Advance payments to suppliers		64.4	64.7
Contract assets	21	466.1	409.3
Trade accounts receivable	22	585.5	549.2
Other current receivables and prepaid expenses	23	128.7	118.7
Current financial assets	19	14.0	26.7
Cash and cash equivalents	24	1'196.3	1'505.4
Total current assets without disposal group		3'005.6	3'176.2
Assets of disposal group held for sale	6	30.4	–
Total current assets		3'036.0	3'176.2
Total assets		4'620.2	5'010.4
Equity			
Share capital		0.3	0.3
Reserves		1'023.9	1'273.5
Equity attributable to shareholders of Sulzer Ltd		1'024.3	1'273.8
Non-controlling interests		4.4	5.5
Total equity	25	1'028.6	1'279.3
Non-current liabilities			
Non-current borrowings	27	1'043.9	1'164.6
Non-current lease liabilities	17	67.2	64.5
Deferred income tax liabilities	14	53.0	84.1
Non-current income tax liabilities	14	2.7	2.2
Defined benefit obligations	10	122.2	180.0
Non-current provisions	28	58.2	68.0
Other non-current liabilities		1.3	5.4
Total non-current liabilities		1'348.6	1'568.8
Current liabilities			
Current borrowings	27	311.4	345.5
Current lease liabilities	17	22.4	24.3
Current income tax liabilities	14	30.0	40.2
Current provisions	28	155.9	167.8
Contract liabilities	21	382.3	324.5
Trade accounts payable		440.8	431.8
Other current and accrued liabilities	29	874.7	828.1
Total current liabilities without disposal group		2'217.5	2'162.3
Liabilities of disposal group held for sale	6	25.4	–
Total current liabilities		2'242.9	2'162.3
Total liabilities		3'591.5	3'731.1
Total equity and liabilities		4'620.2	5'010.4

Consolidated statement of changes in equity

January 1 – December 31, 2022

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, 2022		0.3	1'967.7	-51.0	3.3	-646.5	1'273.8	5.5	1'279.3
Comprehensive income for the period:									
Net income			28.6				28.6	-0.6	28.0
- Cash flow hedges, net of tax	30	-	-	-	-7.5	-	-7.5	-	-7.5
- Remeasurements of defined benefit plans, net of tax	2,10	-	-75.5	-	-	-	-75.5	-	-75.5
- Equity investments at FVOCI – net change in fair value, net of tax	19	-	-11.0	-	-	-	-11.0	-	-11.0
- Currency translation differences		-	-	-	-	-60.2	-60.2	-0.2	-60.3
Other comprehensive income		-	-86.5	-	-7.5	-60.2	-154.1	-0.2	-154.3
Total comprehensive income for the period		-	-57.9	-	-7.5	-60.2	-125.5	-0.7	-126.2
Transactions with owners of the company:									
Disposal of non-controlling interests without a change of control	4	-	-0.4	-	-	-0.0	-0.4	0.8	0.4
Capital increase non-controlling interests		-	-	-	-	-	-	0.5	0.5
Contribution from medmix	25	-	0.4	-	-	-	0.4	-	0.4
Transaction costs	25	-	-0.7	-	-	-	-0.7	-	-0.7
Allocation of treasury shares to share plan participants		-	-27.6	27.6	-	-	-	-	-
Purchase of treasury shares	25	-	-	-19.5	-	-	-19.5	-	-19.5
Share-based payments	32	-	14.9	-	-	-	14.9	-	14.9
Dividends	25	-	-118.7	-	-	-	-118.7	-1.6	-120.3
Equity as of December 31, 2022	25	0.3	1'777.7	-42.9	-4.1	-706.7	1'024.3	4.4	1'028.6

January 1 – December 31, 2021

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, 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	30	–	–	–	-2.5	–	-2.5	–	-2.5
– Remeasurements of defined benefit plans, net of tax	10	–	88.7	–	–	–	88.7	–	88.7
– Equity investments at FVOCI – net change in fair value	19	–	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	5	–	-1'485.6	–	–	–	-1'485.6	–	-1'485.6
Transaction costs	25	–	-3.4	–	–	–	-3.4	–	-3.4
Allocation of treasury shares to share plan participants		–	-9.1	9.1	–	–	–	–	–
Purchase of treasury shares	25	–	–	-21.8	–	–	-21.8	–	-21.8
Share-based payments	32	–	21.9	–	–	–	21.9	–	21.9
Dividends	25	–	-135.4	–	–	–	-135.4	-2.1	-137.4
Equity as of December 31, 2021	25	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	2022	2021
Cash and cash equivalents as of January 1		1'505.4	1'123.2
Net income		28.0	1'418.9
Gain on net assets derecognized - Spin-off Applicator Systems division	5	–	–1'255.1
Interest and securities income		–9.7	–5.3
Interest expenses		27.3	26.5
Income tax expenses		79.0	74.4
Depreciation, amortization and impairments	15, 16, 17	159.3	173.0
Income from disposals of tangible and intangible assets		–5.5	–2.7
Changes in inventories		–59.8	–20.8
Changes in advance payments to suppliers		–0.4	–9.5
Changes in contract assets		–60.3	–74.1
Changes in trade accounts receivable		–82.4	17.1
Changes in contract liabilities		86.9	15.5
Changes in trade accounts payable		34.4	–28.0
Changes in employee benefit plans		–7.6	–9.7
Changes in provisions		–14.0	–1.4
Changes in other net current assets		45.4	89.3
Other non-cash items		0.2	9.5
Interest received		9.3	5.2
Interest paid		–24.6	–23.3
Income tax paid		–86.5	–83.7
Total cash flow from operating activities		119.2	315.9
– thereof discontinued operations		–	49.0
Purchase of intangible assets	15	–8.7	–6.9
Sale of intangible assets	15	0.0	0.2
Purchase of property, plant and equipment	16	–61.2	–79.2
Sale of property, plant and equipment	16	9.0	8.7
Acquisitions of subsidiaries, net of cash acquired	4	–4.2	–123.9
Divestitures of subsidiaries, net of cash derecognized	4	3.2	–1.2
Spin-off Applicator Systems division	5	–	–85.9
Acquisitions of associates	18	–20.9	–6.9
Dividends from associates	18	0.1	0.5
Purchase of other non-current financial assets	19	–6.7	–6.0
Repayments of other non-current financial assets	19	3.2	0.3
Purchase of current financial assets	19	–2.9	–0.2
Repayments of current financial assets	19	1.2	732.7
Total cash flow from investing activities		–87.8	432.3
– thereof discontinued operations		–	9.7

Dividends paid to shareholders of Sulzer Ltd	25	-80.6	-91.9
Dividends paid to non-controlling interests in subsidiaries		-1.6	-2.1
Purchase of treasury shares	25	-19.5	-21.8
Payments of lease liabilities	17	-32.1	-41.1
Divestiture (Acquisition) of non-controlling interests	4	0.4	-17.3
Capital increase non-controlling interests		0.5	-
Proceeds from non-current borrowings	27	169.6	0.0
Repayments of non-current borrowings	27	0.0	-0.0
Proceeds from current borrowings	27	1'054.0	54.8
Repayments of current borrowings	27	-1'376.1	-263.1
Total cash flow from financing activities		-285.4	-382.5
- thereof discontinued operations		-	9.7
Exchange gains / (losses) on cash and cash equivalents		-26.4	16.5
Net change in cash and cash equivalents		-280.5	382.2
Cash and cash equivalents as of December 31	24	1'224.9	1'505.4
Cash and cash equivalents classified as held for sale		-28.6	-
Cash and cash equivalents as of December 31 as per balance sheet		1'196.3	1'505.4

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, 2022, 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 12'900 people. The company serves clients in 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 16, 2023.

Details of the group’s accounting policies are included in [note 35](#).

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 April 6, 2022, Sulzer announced that it would significantly reduce its business in Russia, followed by an announcement on May 24, 2022, that it was initiating the process to sell four legal entities in Russia – AO Sulzer Pumps, Sulzer Chemtech, Sulzer Turbo Services Russia and Sulzer Pumps Russia. The four legal entities were classified as a disposal group held for sale in June 2022, and upon classification as held for sale, impairments amounting to CHF 88.9 million were recorded on goodwill, other intangible assets, property, plant and equipment, inventory and other assets. As of December 31, 2022, the net impairment loss recorded on contract assets and trade accounts receivables included in the disposal group classified as held for sale amounts to CHF 37.4 million included in the total net impairment loss of CHF 39.9 million recorded for the group (2021: CHF 10.8 million). Deferred tax assets of CHF 5.1 million in connection with the Russian business were reversed. This impact was offset by a positive foreign exchange effect of CHF 21.0 million arising from movements of unhedged intercompany loans. Further details are provided in [note 6](#) and [note 13](#).
- On May 19, 2022, the group announced its intention to wind down its business in Poland, which consists of two entities: Sulzer Turbo Services Poland and Sulzer Pumps Wastewater Poland. The group assessed that it no longer controls the two entities, which resulted in a loss from deconsolidation of CHF 6.2 million and wind down costs of CHF 1.0 million. Further details are provided in [note 4](#) and [note 12](#).
- An asset ceiling of CHF 197.9 million was recorded on Swiss pension plans leading to a decrease in pension assets. The change in asset ceiling is the result of an increase in the discount rate and is reflected in other comprehensive income, net of the associated tax impact. Further details are provided in [note 10](#).

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	
	2022	2021	2022	2021	2022	2021
Order intake from continuing operations (unaudited) ¹⁾	1'419.2	1'324.7	1'171.3	1'163.4	834.9	679.5
Nominal growth (unaudited)	7.1%	2.1%	0.7%	2.9%	22.9%	9.5%
Currency-adjusted growth (unaudited)	9.4%	1.8%	1.8%	2.8%	21.7%	8.8%
Organic growth (unaudited) ²⁾	8.9%	-3.9%	1.6%	2.0%	22.5%	8.8%
Order backlog as of December 31 (unaudited)	850.1	811.5	492.9	479.5	501.7	433.2
Sales recognized at a point in time	843.4	993.5	825.9	898.8	357.5	377.0
Sales recognized over time	479.5	395.5	291.1	219.0	382.4	271.6
Sales from continuing operations ³⁾	1'323.0	1'389.0	1'117.0	1'117.7	739.9	648.5
Nominal growth	-4.8%	7.1%	-0.1%	3.7%	14.1%	9.4%
Currency-adjusted growth (unaudited)	-3.1%	6.9%	0.8%	3.5%	12.9%	8.4%
Organic growth (unaudited) ²⁾	-3.4%	2.0%	0.7%	2.7%	14.8%	8.4%
Operational profit from continuing operations (unaudited)	87.4	81.4	159.0	158.7	80.0	64.8
Operational profitability from continuing operations (unaudited)	6.6%	5.9%	14.2%	14.2%	10.8%	10.0%
Restructuring expenses	0.3	-7.5	-1.3	-0.6	0.8	-1.3
Amortization	-26.7	-38.1	-4.4	-4.9	-6.9	-6.7
Impairments on tangible and intangible assets	-8.0	-0.9	-24.2	-2.8	-12.3	-0.5
Non-operational items (unaudited)	-20.4	0.1	-75.1	-2.3	-23.4	-2.7
EBIT from continuing operations	32.6	35.1	54.0	148.2	38.3	53.6
Depreciation	-30.4	-33.4	-29.0	-31.5	-13.4	-12.8
Operating assets	1'554.1	1'573.9	980.0	939.5	579.7	552.8
Unallocated assets	-	-	-	-	-	-
Total assets as of December 31	1'554.1	1'573.9	980.0	939.5	579.7	552.8
Operating liabilities	730.9	745.0	456.4	403.3	439.8	404.0
Unallocated liabilities	-	-	-	-	-	-
Total liabilities as of December 31	730.9	745.0	456.4	403.3	439.8	404.0
Operating net assets	823.2	829.0	523.7	536.2	139.9	148.7
Unallocated net assets	-	-	-	-	-	-
Total net assets as of December 31	823.2	829.0	523.7	536.2	139.9	148.7
Capital expenditure (incl. lease assets)	-37.9	-33.9	-42.0	-57.1	-16.8	-20.7
Employees (number of full-time equivalents) as of December 31	5'263	5'325	4'559	4'571	2'852	3'734

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 ⁴⁾		Total Sulzer	
	2022	2021	2022	2021	2022	2021
Order intake from continuing operations (unaudited) ¹⁾	3'425.4	3'167.6	–	–	3'425.4	3'167.6
Nominal growth (unaudited)	8.1%	3.9%	–	–	8.1%	3.9%
Currency-adjusted growth (unaudited)	9.2%	3.6%	–	–	9.2%	3.6%
Organic growth (unaudited) ²⁾	9.1%	0.9%	–	–	9.1%	0.9%
Order backlog as of December 31 (unaudited)	1'844.7	1'724.1	–	–	1'844.7	1'724.1
Sales recognized at a point in time	2'026.8	2'269.3	–	–	2'026.8	2'269.3
Sales recognized over time	1'153.1	886.0	–	–	1'153.1	886.0
Sales from continuing operations ³⁾	3'179.9	3'155.3	–	–	3'179.9	3'155.3
Nominal growth	0.8%	6.3%	–	–	0.8%	6.3%
Currency-adjusted growth (unaudited)	1.6%	6.0%	–	–	1.6%	6.0%
Organic growth (unaudited) ²⁾	1.8%	3.5%	–	–	1.8%	3.5%
Operational profit from continuing operations (unaudited)	326.4	304.9	–8.8	–11.6	317.6	293.3
Operational profitability from continuing operations (unaudited)	10.3%	9.7%	n/a	n/a	10.0%	9.3%
Restructuring expenses	–0.1	–9.4	0.0	–0.0	–0.1	–9.5
Amortization	–38.0	–49.6	–0.8	–0.6	–38.8	–50.2
Impairments on tangible and intangible assets	–44.5	–4.2	–	–	–44.5	–4.2
Non-operational items (unaudited)	–119.0	–4.8	–3.8	–2.9	–122.8	–7.7
EBIT from continuing operations	124.8	236.9	–13.5	–15.0	111.4	221.8
Depreciation	–72.8	–77.7	–3.2	–3.3	–76.0	–81.0
Operating assets	3'113.8	3'066.2	–47.5	180.3	3'066.3	3'246.5
Unallocated assets	–	–	1'553.8	1'763.9	1'553.8	1'763.9
Total assets as of December 31	3'113.8	3'066.2	1'506.4	1'944.3	4'620.2	5'010.4
Operating liabilities	1'627.0	1'552.3	8.0	196.8	1'635.0	1'749.1
Unallocated liabilities	–	–	1'956.5	1'982.0	1'956.5	1'982.0
Total liabilities as of December 31	1'627.0	1'552.3	1'964.5	2'178.8	3'591.5	3'731.1
Operating net assets	1'486.8	1'513.9	–55.5	–16.4	1'431.4	1'497.5
Unallocated net assets	–	–	–402.7	–218.1	–402.7	–218.1
Total net assets as of December 31	1'486.8	1'513.9	–458.2	–234.6	1'028.6	1'279.3
Capital expenditure (incl. lease assets)	–96.7	–111.7	–3.3	–7.7	–100.0	–119.4
Employees (number of full-time equivalents) as of December 31	12'674	13'631	194	185	12'868	13'816

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

4) The most significant activities under "Others" relate to Corporate Center.

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

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 and sustainable 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 deferred income tax assets, non-current receivables, defined benefit assets and other non-current financial assets. The allocation of sales from external customers is based on the location of the customer.

Non-current assets by region

millions of CHF	2022	2021
Europe, the Middle East and Africa	853.5	941.9
– thereof Switzerland	220.5	201.5
– thereof United Kingdom	180.1	203.0
– thereof Sweden	125.7	162.2
– thereof Finland	114.6	109.0
– thereof the Netherlands	84.6	100.8
Americas	413.4	425.9
– thereof USA	376.6	390.3
Asia-Pacific	136.7	144.6
– thereof China	52.4	53.6
Total	1'403.6	1'512.4

Sales by region

	2022			
millions of CHF	Flow Equipment	Services	Chemtech	Total Sulzer
Europe, the Middle East and Africa	602.0	439.9	166.0	1'207.9
– thereof United Kingdom	36.3	112.9	15.7	164.9
– thereof Germany	87.8	43.1	17.0	147.9
– thereof Saudi Arabia	66.3	23.7	20.3	110.3
– thereof France	32.3	31.3	8.6	72.2
– thereof Russia	31.2	23.2	14.0	68.4
Americas	420.9	525.5	196.4	1'142.8
– thereof USA	223.6	397.1	141.3	761.9
Asia-Pacific	300.1	151.6	377.5	829.2
– thereof China	202.2	28.3	254.6	485.1
Total	1'323.0	1'117.0	739.9	3'179.9

	2021			
millions of CHF	Flow Equipment	Services	Chemtech	Total Sulzer
Europe, the Middle East and Africa	671.8	485.6	140.0	1'297.5
– thereof United Kingdom	25.7	112.1	5.3	143.1
– thereof Germany	65.6	55.7	26.7	148.0
– thereof Saudi Arabia	118.7	25.4	15.2	159.3
– thereof France	27.3	30.8	9.1	67.2
– thereof Russia	34.2	35.6	15.9	85.6
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

Segment information by market segment

The following table shows the allocation of sales from external customers by market segment.

Sales by market segment – Flow Equipment

millions of CHF	2022	2021
Energy	453.4	507.9
Water	489.8	497.0
Industry	379.7	384.1
Total Flow Equipment	1'323.0	1'389.0

Sales by market segment – Services

millions of CHF	2022	2021
Pumps Services	593.7	601.0
Other Equipment	523.4	516.7
Total Services	1'117.0	1'117.7

Sales by market segment – Chemtech

millions of CHF	2022	2021
Chemicals	398.4	366.4
Gas and Refining	130.4	128.1
Services	108.5	96.7
Renewables	73.9	38.3
Water	28.6	19.1
Total Chemtech	739.9	648.5

4 Acquisitions and divestitures of subsidiaries and transactions with non-controlling interests

Cash flow from acquisitions of subsidiaries

millions of CHF	2022	2021
Cash consideration paid	–	–138.4
Contingent consideration paid	–4.2	–0.5
Cash acquired	–	15.0
Total cash flow from acquisitions, net of cash acquired	–4.2	–123.9

No acquisitions of businesses were made in the year 2022, contingent consideration was paid in 2022 for the GTC Technology US, LLC acquisition in 2019.

Contingent consideration

millions of CHF	2022	2021
Balance as of January 1	5.9	6.6
Assumed in a business combination	–	1.9
Derecognized as discontinued operations	–	–2.2
Payment of contingent consideration	–4.2	–0.5
Currency translation differences	0.2	0.1
Total contingent consideration as of December 31	1.9	5.9
– thereof non-current	–	1.9
– thereof current	1.9	4.0

The outstanding contingent consideration relates to acquisitions in 2021. It is expected to be paid in 2023. It is presented in other current liabilities.

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.

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

Divestitures in 2022

In the first half of 2022, the group sold its 100% shareholding in the Brazilian subsidiary Sulzer Services Brasil, Triunfo. The disposal resulted in a loss of CHF 0.6 million, including a loss of CHF 1.0 million from the reclassification of currency translation differences into the income statement. The loss is recorded in other operating expenses. In the first half of 2022, the group announced its intention to wind down its business in Poland, comprising of the two subsidiaries Sulzer Turbo Services Poland and Sulzer Pumps Wastewater Poland. The group assessed that it no longer has control over the two subsidiaries and deconsolidated the Polish business at the end of the first half of 2022. The investment retained was classified as investment in associates, the fair value of the investment retained at the date of the loss of control amounted to zero. The deconsolidation resulted in a loss of CHF 6.2 million and includes a loss of CHF 1.2 million from the reclassification of currency translation differences into the income statement. The loss is recorded in other operating expenses.

Cash flow from divestments

millions of CHF	2022	2021
Cash consideration received	7.8	1.6
Cash disposed of	-4.6	-2.8
Total cash flow from divestitures, net of cash derecognized	3.2	-1.2

Net assets derecognized

The assets and liabilities derecognized during the year 2022 as part of the divestitures are reflected in the below table.

millions of CHF	Total
Property, plant and equipment	2.5
Deferred income tax assets	0.2
Inventories and advance payments to suppliers	2.0
Trade accounts receivable	9.0
Contract assets	0.6
Other current receivables	1.9
Cash and cash equivalents	4.7
Non-current provisions	-0.3
Trade payables	-2.6
Contract liabilities	-0.7
Other current liabilities	-4.8
Net assets derecognized	12.5

Transactions with non-controlling interests

millions of CHF	2022	2021
Carrying amount of non-controlling interests acquired (disposed)	-0.8	5.4
Consideration received (paid) for non-controlling interests in cash	0.4	-17.3
Increase (Decrease) in equity attributable to owners of Sulzer Ltd	-0.4	-11.9

5 Discontinued operations

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

The group has separated the financial data for 2021 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 System Division (now medmix) 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	2022	2021 ¹⁾
Sales	–	337.9
Cost of goods sold	–	–201.5
Gross profit from discontinued operations	–	136.5
Selling and distribution expenses	–	–28.3
General and administrative expenses	–	–30.9
Research and development expenses	–	–18.9
Net impairment loss on contract assets and trade accounts receivable	–	–0.1
Other operating income / (expenses), net	–	–12.0
Operating income (EBIT) from discontinued operations	–	46.2
Interest and securities income	–	0.1
Interest expenses	–	–5.9
Other financial income / (expenses), net	–	–0.0
Income before income tax expenses from discontinued operations	–	40.3
Income tax expenses	–	–17.1
Net income from discontinued operations before gain on net assets derecognized	–	23.2
Gain on net assets derecognized	–	1'255.1
Net income from discontinued operations, net of tax	–	1'278.3

1) The consolidated income statement amounts are for the period January 1, 2021, to September 20, 2021, the completion date of the spin-off. The information has been re-presented: Net impairment loss on contract assets and trade accounts receivable was previously included in selling and distribution expenses.

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 was 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 19](#)).

The total non-taxable, non-cash gain recognized at the distribution date of the spin-off of the Applicator Systems division recorded in net income from discontinued operations, net of tax, amounted to CHF 1'255.1 million.

6 Disposal group held for sale

The assets and liabilities of the disposal group held for sale are composed of the Russian business classified as held for sale. On May 24, 2022, the group announced its intention to exit the Russian market and initiated the search for potential buyers for the four legal entities in the country. The Russian business is comprised of four legal entities with operations in the reporting segments Flow Equipment, Services and Chemtech which includes two service centers and one production facility, and the assets and liabilities of these operations expected to be transferred as part of a sale have been classified as held for sale in June 2022. In February 2023, Sulzer signed an agreement to sell its business in Russia to a local third party. The transaction is subject to regulatory approvals by the Russian Government Subcommittee for Control over Foreign Investments and the Federal Antimonopoly Service (FAS).

With the classification as held for sale in June, the disposal group was measured at the lower fair value less costs to sell, resulting in the recognition of impairments amounting to CHF 88.9 million on that date, with CHF 32.2 million recorded in other operating expenses, CHF 38.8 million in costs of goods sold, CHF 15.7 million in general and administrative expenses and CHF 2.2 million in income tax expenses. The write-offs were mainly recorded on goodwill, other intangible assets, property, plant and equipment, lease assets, inventory and advance payments from customers. In addition, the group recognized net impairment losses on contract assets and trade accounts receivables related to the Russian business. These impairment losses amounted to CHF 37.4 million as of December 31, 2022. Deferred tax assets in the amount of CHF 5.1 million were reversed as of year end 2022. Reference is made to [note 12](#) and [note 20](#) and the respective balance sheet notes.

The cumulative income recognized in other comprehensive income related to the disposal group amounts to CHF 11.8 million as of December 31, 2022, consisting entirely of items to be reclassified to the income statement at the date of the sale. The assets and liabilities classified as held for sale as of December 31, 2022, are presented in the table below.

millions of CHF	2022
Cash and cash equivalents	28.6
Trade accounts receivable	1.8
Total assets of disposal group held for sale	30.4
Non-current lease liabilities	0.3
Current lease liabilities	0.2
Current provisions	0.3
Trade accounts payable and contract liabilities	15.8
Other current and accrued liabilities	8.9
Total liabilities of disposal group held for sale	25.4

While the cash and cash equivalents classified as held for sale can be used without restriction in the respective country, they are not available for general use by other entities within the group.

7 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 measurement of assets and liabilities within the next financial year, are set out below.

Employee benefit plans

Assets, liabilities and costs for defined benefit pension plans and other post-employment plans 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., market yields of high-quality corporate bonds denominated in the corresponding currency and asset management studies. Further details are provided in [note 10](#) and [note 35](#).

Income taxes

The group is subject to income taxes in numerous jurisdictions. Assumptions are required in order to determine income tax provisions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management believes that the estimates are reasonable, and that the recognized liabilities for income tax-related uncertainties are adequate. Further details are disclosed in [note 14](#).

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 15](#). The accounting policies are disclosed in [note 35](#).

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 17](#) and [note 35](#).

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 35](#) are met. The most critical estimate in determining whether sales should be recorded over time or at a point in time, is the existence of a right to payment. The group estimates if an enforceable right to payment (including reasonable profit margin) for performance 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 in determining 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 21](#) and [note 35](#).

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 28](#) and [note 35](#).

8 Financial risk management

8.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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, USD, EUR, CNY and INR. 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.

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 2022 and 2021 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 2022, the currency pair with the most significant exposure and inherent risk was the EUR versus the RUB. If, on December 31, 2022, the EUR had increased by 54.5% against the RUB with all other variables held constant, profit after tax for the year would have been CHF 2.3 million higher due to foreign exchange gains on EUR-denominated financial assets. A decrease of the rate would have caused a loss of the same amount.

Hypothetical impact of foreign exchange risk on income statement

millions of CHF	2022			
	EUR/RUB	USD/BRL	EUR/BRL	USD/BHD
Currency pair				
Exposure	5.9	7.8	-6.0	7.8
Volatility	54.5%	18.9%	19.1%	10.0%
Effect on profit after tax (rate increase)	2.3	1.1	-0.8	0.6
Effect on profit after tax (rate decrease)	-2.3	-1.1	0.8	-0.6

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

The following tables show the hypothetical influence on equity for 2022 and 2021 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	2022						
Currency pair	GBP/USD	EUR/USD	USD/MXN	EUR/CHF	USD/INR	GBP/EUR	USD/CHF
Exposure	156.3	47.6	-42.7	-57.9	-46.9	-28.7	-22.9
Volatility	12.5%	10.1%	10.4%	7.6%	5.2%	7.7%	9.4%
Effect on equity, net of taxes (rate increase)	14.3	3.5	-3.2	-3.2	-1.8	-1.6	-1.6
Effect on equity, net of taxes (rate decrease)	-14.3	-3.5	3.2	3.2	1.8	1.6	1.6

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

(II) Price risk

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

(III) Interest rate sensitivity

The group's interest rate risk arises from interest-bearing assets and liabilities. Financial 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, EUR, CNY and INR, 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	2022			
	Amount	Sensitivity in basis points	Impact on post-tax profit	
			rate increase	rate decrease
Variable interest-bearing assets (net)				
CHF	417.2	100	3.0	-3.0
USD	264.4	100	1.9	-1.9
EUR	181.3	100	1.3	-1.3
CNY	174.0	100	1.3	-1.3
INR	29.8	100	0.2	-0.2

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

On December 31, 2022, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 3.0 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, 2021, if the interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 4.0 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. Equity instruments are not exposed to credit risks. 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 21](#), and on the credit risk of trade accounts receivable, please refer to [note 22](#).

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). In 2022, the group exercised the first of the two extension options, extending the term of the credit facility partially by one year to December 2027 (for CHF 85 million of the facility, the maturity date remains unchanged).

The following table analyzes the group's financial liabilities in relevant maturity groupings based on the remaining period from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows translated at year-end closing rates, if not denominated in CHF. Borrowings include the notional amount and interest payments.

Maturity profile of financial liabilities

	2022				
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	1'355.3	330.0	1'080.6	–	1'410.6
Lease liabilities	89.6	22.8	48.2	25.7	96.7
Trade accounts payable	440.8	440.8	–	–	440.8
Other current and non-current liabilities (excluding derivative liabilities)	432.5	431.2	0.1	1.2	432.5
Derivative liabilities	7.0	7.0	0.0	–	7.0
– thereof outflow		604.7	9.9	–	614.6
– thereof inflow		597.7	9.9	–	607.6

	2021				
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
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

8.2 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, 2022, and 2021.

Net debt/EBITDA ratio

millions of CHF	2022	2021
Cash and cash equivalents	-1'196.3	-1'505.4
Current financial assets	-14.0	-26.7
Non-current borrowings	1'043.9	1'164.6
Non-current lease liabilities	67.2	64.5
Current borrowings	311.4	345.5
Current lease liabilities	22.4	24.3
Net debt as of December 31	234.6	66.8
Operating income (EBIT) from continuing operations	111.4	221.8
Operating income (EBIT) from discontinued operations	-	46.2
Depreciation from continuing operations	76.0	81.0
Depreciation from discontinued operations	-	20.5
Impairments on tangible and intangible assets from continuing operations ¹⁾	44.5	4.2
Impairments on tangible and intangible assets from discontinued operations	-	0.5
Amortization from continuing operations	38.8	50.2
Amortization from discontinued operations	-	16.6
EBITDA	270.7	441.0
Net debt	234.6	66.8
EBITDA	270.7	441.0
Net debt/EBITDA ratio	0.87	0.15

1) Impairments on tangible and intangible assets from continuing operations in 2022 include CHF 32.4 million impairments recorded in connection with the Russian business classified as held for sale, see Note 12.

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, 2022, and 2021, the gearing ratio was as follows:

Gearing ratio (borrowings-to-equity ratio)

millions of CHF	2022	2021
Non-current borrowings	1'043.9	1'164.6
Non-current lease liabilities	67.2	64.5
Current borrowings	311.4	345.5
Current lease liabilities	22.4	24.3
Total borrowings and lease liabilities	1'444.9	1'598.9
Equity attributable to shareholders of Sulzer Ltd	1'024.3	1'273.8
Gearing ratio (borrowings-to-equity ratio)	1.41	1.26

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

8.3 Fair value estimation

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

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

The fair value of financial instruments traded in active markets, 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. Level 3 instruments reflected in the below table comprises of non-current financial assets (at fair value through profit or loss) and contingent considerations. As of December 31, 2022, the non-current financial assets (at fair value through profit or loss) categorized as level 3 instruments amount to CHF 22.6 million (2021: CHF 8.6 million). Unrealized fair value gains recorded in income from continuing operations in 2022 amount to CHF 7.6 million (2021: CHF 0.0 million). Contingent considerations are linked to the fulfillment of certain parameters, mainly related to earn-out clauses. For more information, please refer to [note 4](#).

Additional fair value measurements categorized within level 3 relate to intangible assets and property, plant and equipment and lease assets included in the Russian disposal group classified as held for sale, see [note 6](#) for further information. With the measurement at fair value less costs to sell, these assets were fully impaired resulting in unrealized losses in the amount of CHF 32.4 million.

Fair value table

		December 31, 2022									
		Carrying amount					Fair value				
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at 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)	19		22.8	–			22.8	0.2	–	22.6	22.8
Derivative assets – non-current	30	0.1					0.1	–	0.1	–	0.1
Derivative assets – current	23,30	13.2					13.2	–	13.2	–	13.2
Current financial assets (at fair value)	19		1.5	8.8			10.3	10.3	–	–	10.3
Total financial assets measured at fair value		13.2	24.4	8.8	–	–	46.4	10.5	13.2	22.6	46.4
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)	19				5.6		5.6				
Non-current receivables (excluding non-current derivative assets)					0.9		0.9				
Trade accounts receivable	22				585.5		585.5				
Other current receivables (excluding current derivative assets and other taxes)	23				23.4		23.4				
Current financial assets (at amortized cost)	19				3.6		3.6				
Cash and cash equivalents	24				1'196.3		1'196.3				
Total financial assets not measured at fair value		–	–	–	1'815.5	–	1'815.5				
Financial liabilities measured at fair value											
Derivative liabilities – non-current	30	0.0					0.0	–	0.0	–	0.0
Derivative liabilities – current	29, 30	7.0					7.0	–	7.0	–	7.0
Contingent considerations	4		1.9				1.9	–	–	1.9	1.9
Total financial liabilities measured at fair value		7.0	1.9	–	–	–	8.9	–	7.0	1.9	8.9
Financial liabilities not measured at fair value											
Outstanding non-current bonds	27					1'043.9	1'043.9	1'003.7	–	–	1'003.7
Other non-current liabilities (excluding non-current derivative liabilities)						1.3	1.3				
Outstanding current bonds	27					289.9	289.9	288.5	–	–	288.5
Other current borrowings and bank loans	27					21.5	21.5				
Trade accounts payable						440.8	440.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	29					396.3	396.3				
Total financial liabilities not measured at fair value		–	–	–	–	2'193.6	2'193.6				

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)	19		8.9	–			8.9	0.3	–	8.6	8.9											
Derivative assets – non-current	30	0.7					0.7	–	0.7	–	0.7											
Derivative assets – current	23,30	7.0					7.0	–	7.0	–	7.0											
Current financial assets (at fair value)	19		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)	19				9.1		9.1															
Non-current receivables (excluding non-current derivative assets)					4.6		4.6															
Trade accounts receivable	22				549.2		549.2															
Other current receivables (excluding current derivative assets and other taxes)	23				18.3		18.3															
Current financial assets (at amortized cost)	19				2.2		2.2															
Cash and cash equivalents	24				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	30	0.8					0.8	–	0.8	–	0.8											
Derivative liabilities – current	29,30	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	27					1'163.8	1'163.8	1'189.5	–	–	1'189.5											
Other non-current borrowings	27					0.8	0.8															
Other non-current liabilities (excluding non-current derivative liabilities)						4.6	4.6															
Outstanding current bonds	27					325.0	325.0	325.9	–	–	325.9											
Other current borrowings and bank loans	27					20.5	20.5															
Trade accounts payable						431.8	431.8															
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	29					350.9	350.9															
Total financial liabilities not measured at fair value		–	–	–	–	2'297.3	2'297.3															

9 Personnel expenses

millions of CHF	2022	2021
Salaries and wages	793.2	792.9
Defined contribution plan expenses	29.6	32.3
Defined benefit plan expenses	15.7	16.9
Cost of share-based payment transactions	15.4	20.8
Social benefit costs	112.3	117.4
Other personnel costs	36.2	37.9
Total personnel expenses continuing operations	1'002.4	1'018.1
Personnel expenses discontinued operations	–	91.4
Total personnel expenses	1'002.4	1'109.5

10 Employee benefit plans

The defined benefit obligations for the active members of pension plans is the present value of accrued pension obligations at the reporting 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

	2022					
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans others	Unfunded plans	Total
Present value of funded defined benefit obligation	-716.8	-355.3	-53.7	-78.3	-	-1'204.0
Fair value of plan assets (funded plans)	914.7	277.2	43.5	57.1	-	1'292.5
Overfunding / (underfunding)	197.9	-78.0	-10.2	-21.2	-	88.5
Present value of unfunded defined benefit obligation	-	-	-	-	-11.5	-11.5
Adjustment to asset ceiling	-197.9	-	-	-0.0	-	-197.9
Net asset / (liability) recognized in the balance sheet	-	-78.0	-10.2	-21.2	-11.5	-121.0
- thereof defined benefit obligations	-	-78.0	-10.2	-22.5	-11.5	-122.2
- thereof defined benefit assets	-	-	-	1.3	-	1.3

	2021					
millions of CHF	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	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

The group operates major funded defined benefit pension plans in Switzerland, the UK and the USA. The main unfunded defined benefit plan is a German pension benefit plan. 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 discount rate in 2022 increased compared to 2021 (from 0.4% to 2.2% for active employees and from 0.3% to 2.3% for pensioners), leading to an asset ceiling that reduced the defined benefit assets from CHF 134.2 million in 2021 to CHF 0.0 million in 2022. The change in effect of asset ceiling amounting to CHF 197.9 million is recorded in other comprehensive income (OCI). The total expenses recognized for these pension plans in the income statement in 2022 amounted to CHF 13.7 million (2021: CHF 16.6 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 nine trustees forming the Board. The plan is a multiemployer scheme with Sulzer (UK) Holding being the principal sponsor. The discount rate increased in 2022 by 2.9 percentage points to 4.9% (2021: 2.0%). The net pension liabilities decreased from CHF 109.2 million in 2021 to CHF 78.0 million in 2022 due to the higher discount rate and actuarial gains from changes in financial assumptions. In 2022, the total expenses recognized in the income statement amounted to CHF 2.8 million (2021: CHF 3.0 million).

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 are closed to new entrants. In 2022, an expense of CHF 1.1 million was recognized in the income statement (2021: CHF 1.1 million). The discount rate increased in 2022 to 4.8% (2021: 2.5%). The amount recognized in other comprehensive income (OCI) in 2022 amounted to CHF 8.9 million (2021: CHF -1.0 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	2022	2021
Reconciliation of effect of asset ceiling		
Adjustment to asset ceiling at January 1	–	–
Change in effect of asset ceiling excl. interest income / (expenses)	–197.9	–
Currency translation differences	–0.0	–
Adjustment to asset ceiling at December 31	–197.9	–
Reconciliation of net asset / (liability) recognized in the balance sheet		
Net asset / (liability) recognized at January 1	–45.7	–151.7
Defined benefit income / (expenses) recognized in the income statement	–18.7	–24.1
Defined benefit income / (expenses) recognized in OCI	–90.8	102.2
Employer contributions	24.8	29.0
Divestitures of subsidiaries	0.2	–
Derecognized as discontinued operations	–	1.4
Currency translation differences	9.2	–2.5
Net asset / (liability) recognized at December 31	–121.0	–45.7
Components of defined benefit income / (expenses) in the income statement		
Current service costs (employer)	–16.4	–19.1
Interest expenses	–17.3	–12.9
Interest income on plan assets	14.5	9.7
Past service costs	0.9	–0.1
Gains and (losses) on settlement	1.3	–
Other administrative costs	–1.5	–1.7
Income / (expenses) recognized in the income statement	–18.7	–24.1
– thereof charged to personnel expenses	–15.7	–16.9
– thereof charged to financial expenses	–2.9	–3.2
– thereof charged to net income from discontinued operations	–	–4.0
Components of defined benefit gains / (losses) in OCI		
Actuarial gains / (losses) on defined benefit obligation	366.3	16.6
Returns on plan assets excl. interest income	–259.4	84.9
Changes in effect of asset ceiling excl. interest expenses / (income)	–197.9	–
Returns on reimbursement right excl. interest income / (expenses)	0.2	0.7
Defined benefit gains / (losses) recognized in OCI ¹⁾	–90.8	102.2

1) The tax effect on defined benefit cost recognized in OCI amounted to CHF 15.4 million (2021: CHF -13.4 million).

Employee benefit plans

millions of CHF	2022	2021
Reconciliation of defined benefit obligation (funded and unfunded plans)		
Defined benefit obligation as of January 1	-1'692.3	-1'841.2
Interest expenses	-17.3	-12.9
Current service costs (employer)	-16.4	-19.1
Contributions by plan participants	-7.5	-9.2
Past service costs	0.9	-0.1
Benefits paid / (deposited)	104.4	99.3
Gains and (losses) on settlement	1.3	-
Divestitures of subsidiaries	0.2	-
Other administrative costs	-1.5	-1.7
Actuarial gains / (losses)	366.3	16.6
Derecognized as discontinued operations	-	89.6
Currency translation differences	46.4	-13.6
Defined benefit obligation as of December 31	-1'215.6	-1'692.3
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	1'646.6	1'689.5
Interest income on plan assets	14.5	9.7
Employer contributions	24.8	29.0
Contributions by plan participants	7.5	9.2
Benefits (paid) / deposited	-104.4	-99.3
Returns on plan assets excl. interest income	-259.4	84.9
Derecognized as discontinued operations	-	-88.2
Currency translation differences	-37.1	11.8
Fair value of plan assets as of December 31	1'292.5	1'646.6
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	44.5	82.1
Equity instruments	237.8	569.9
Debt instruments	292.7	392.3
Real estate funds	33.0	33.2
Investment funds	4.9	4.6
Others	80.6	126.3
Total assets at fair value – quoted market price as of December 31	693.5	1'208.5
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third parties (real estate)	270.0	264.7
Others	329.1	173.4
Total assets at fair value – non-quoted market price as of December 31	599.0	438.1
Best estimate of contributions for upcoming financial year		
Contributions by the employer	23.9	23.3

Employee benefit plans

millions of CHF	2022	2021
Components of defined benefit obligation, split		
Defined benefit obligation for active members	-211.4	-275.3
Defined benefit obligation for pensioners	-801.4	-1'024.9
Defined benefit obligation for deferred members	-202.7	-392.0
Total defined benefit obligation as of December 31	-1'215.6	-1'692.3
Components of actuarial gains / (losses) on obligations		
Actuarial gains / (losses) arising from changes in financial assumptions	384.1	22.0
Actuarial gains / (losses) arising from changes in demographic assumptions	4.0	1.7
Actuarial gains / (losses) arising from experience adjustments	-21.8	-7.1
Total actuarial gains / (losses) on defined benefit obligation	366.3	16.6
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	10.4	13.2

The defined benefit obligations for the Swiss and UK pension plans represent 88% (2021: 89%) of the group. The following significant actuarial assumptions were used for these two countries:

Principal actuarial assumptions as of December 31

	2022		2021	
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans Switzerland	Funded plans United Kingdom
Discount rate for active employees	2.2%	4.9%	0.4%	2.0%
Discount rate for pensioners	2.3%	4.9%	0.3%	2.0%
Future salary increases	1.5%	0.0%	1.0%	0.0%
Future pension increases	0.0%	2.7%	0.0%	3.2%
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	2022	2021
Discount rate (decrease 0.25 percentage points)	-33.7	-53.5
Discount rate (increase 0.25 percentage points)	26.5	59.1
Future salary growth (decrease 0.25 percentage points)	0.6	7.9
Future salary growth (increase 0.25 percentage points)	-6.5	-0.5
Life expectancy (decrease 1 year)	15.2	104.5
Life expectancy (increase 1 year)	-15.1	-95.8

Negative amounts in the above table indicate an increase in defined benefit obligations, positive amounts indicate a decrease in defined benefit obligations. The sensitivity analysis is based on reasonably possible changes of the significant actuarial assumptions as of year end. The sensitivities provided are based on the change in one assumption while holding the other assumptions unchanged, interdependencies were not considered.

11 Research and development expenses

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

millions of CHF	2022	2021
Flow Equipment	36.7	39.6
Services	1.8	1.3
Chemtech	27.8	23.4
Total	66.4	64.4

12 Other operating income and expenses

millions of CHF	2022	2021
Gain from sale of property, plant and equipment	5.5	1.7
Operating currency exchange gains, net	–	5.1
Other operating income	19.2	27.8
Total other operating income	24.7	34.6
Restructuring expenses	–0.1	–9.5
Impairments on tangible and intangible assets	–44.5	–4.2
Cost for mergers and acquisitions	–1.5	–2.7
Loss from sale of property, plant and equipment	–0.0	–0.2
Loss from deconsolidation of subsidiaries	–6.7	–
Operating currency exchange losses, net	–13.9	–
Total other operating expenses	–66.7	–16.5
Total other operating income / (expenses), net	–42.1	18.1

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales to customers. In 2022, other operating income included income from charges to the discontinued operation Applicator Systems division (later renamed medmix) for corporate support functions and centrally procured indirect spend utilized by medmix of CHF 9.8 million (2021: CHF 11.5 million).

The loss from deconsolidation of subsidiaries includes a loss of CHF 6.2 million resulting from the deconsolidation of two subsidiaries in Poland and a loss of CHF 0.6 million from the disposal of a subsidiary in Brazil (see [note 4](#)).

The group recognized impairments of CHF 44.5 million (2021: CHF 4.2 million). Impairments of CHF 12.1 million (2021: CHF 4.2 million) were recorded based on performed impairment tests on production machines and facilities as well as lease assets. Impairments of CHF 32.4 million on goodwill, other intangible assets, property, plant and equipment and lease assets were recorded in connection with the classification of the business in Russia as held for sale and the write-down to fair value less costs to sell (see [note 6](#)).

In 2022, the group recognized restructuring costs of CHF 1.8 million, partially offset with the release of restructuring provisions of CHF 1.7 million. Restructuring costs mainly related to resizing activities in Indonesia.

13 Financial income and expenses

millions of CHF	2022	2021
Interest and securities income	9.3	10.4
Interest income on employee benefit plans	0.4	–
Total interest and securities income	9.7	10.4
Interest expenses on borrowings and lease liabilities	–24.1	–22.5
Interest expenses on employee benefit plans	–3.2	–3.2
Total interest expenses	–27.3	–25.7
Total interest income / (expenses), net	–17.6	–15.3
Fair value changes	24.0	1.3
Other financial expenses	–1.5	–1.6
Currency exchange gains / (losses), net	–6.6	–6.0
Total other financial income / (expenses), net	16.0	–6.4
Total financial income / (expenses), net	–1.6	–21.7
- thereof fair value changes on financial assets at fair value through profit or loss	24.0	1.3
- thereof interest income on financial assets at amortized costs	9.3	10.4
- thereof other financial expenses	–1.5	–1.6
- thereof currency exchange gains / (losses), net	–6.6	–6.0
- thereof interest expenses on borrowings	–22.1	–20.4
- thereof interest expenses on lease liabilities	–2.0	–2.1
- thereof interest expenses on employee benefit plans, net	–2.9	–3.2

In 2022, the total financial expenses, net amounted to CHF 1.6 million, compared with CHF 21.7 million in 2021.

The line “Fair value changes” includes gains from fair value changes of investments in financial instruments classified at fair value through profit or loss amounting to CHF 8.7 million (2021: CHF 0.3 million), with the remainder relating to fair value changes of derivative financial instruments used as hedging instruments to hedge foreign exchange risks.

Currency exchange gains/losses are mainly related to foreign currency differences of non-operating assets and liabilities recorded at the prevailing rate at the time of acquisition (or preceding year-end closing rate) as against the current balance sheet rate. It includes a positive foreign exchange effect of CHF 21.0 million arising on unhedged intercompany loans to Russian entities prior to their classification as held for sale.

14 Income taxes

millions of CHF	2022	2021
Current income tax expenses	-76.3	-86.4
Deferred income tax (expenses) income	-2.7	29.1
Total income tax expenses	-79.0	-57.2

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 may vary from year to year according to variations in income per country and changes in applicable tax rates.

Reconciliation of income tax expenses

millions of CHF	2022	2021
Income before income tax expenses from continuing operations	107.0	197.9
Weighted average tax rate	23.7%	23.7%
Income taxes at weighted average tax rate	-25.4	-46.9
Income taxed at different tax rates	3.4	1.0
Effect of tax loss carryforwards and allowances for deferred income tax assets	-2.7	-4.7
Expenses not deductible for tax purposes	-5.2	-5.3
Effect of changes in tax rates and legislation	-2.2	3.6
Prior year items and others	-47.0	-4.9
Total income tax expenses	-79.0	-57.2
Effective income tax rate	73.8%	28.9%

The effective income tax rate for 2022 was 73.8% (2021: 28.9%). The effective income tax rate was significantly impacted by recognized impairments on the Russian business upon the classification of the four Russian entities as held for sale and the wind down of the Polish business. The total tax impact amounts to CHF 37.4 million, with CHF 32.3 million presented in prior year items and others. Furthermore, the effect of tax loss carryforwards and allowances for deferred income tax assets in the amount of -2.7 million was impacted by a reversal of Russian deferred tax assets in the amount of CHF 5.1 million.

The effect of changes in tax rates and legislation mainly relates to the announced tax rate change in France and UK causing the revaluation of a deferred tax position in the amount of -2.2 million. Expenses not deductible for tax purposes in the amount of -5.2 million mainly relates to disallowances of group charges and interest.

Prior year items and others include beside the above mentioned Russian and Polish restructuring effects a -2.7 million impact from CTA movements and adjustments on deferred and current tax receivables in Sweden and Switzerland in the amount of -3.6 million.

The effective income tax rate for 2021 was 28.9%. The effect of tax loss carryforwards and allowances for 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.

Income tax liabilities

millions of CHF	2022	2021
Balance as of January 1	42.4	43.5
Acquired through business combination	–	0.7
Derecognized as discontinued operations	–	–10.0
Additions	76.1	77.0
Released as no longer required	–16.6	–6.9
Utilized	–67.4	–62.6
Currency translation differences	–1.8	0.7
Total income tax liabilities as of December 31	32.8	42.4
– thereof non-current	2.7	2.2
– thereof current	30.0	40.2

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

millions of CHF	2022			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	11.8	–57.9	–46.1	11.9	–66.5	–54.6
Property, plant and equipment	3.6	–17.4	–13.7	3.2	–16.8	–13.6
Other financial assets	21.3	–1.6	19.7	17.1	–0.5	16.6
Inventories	32.3	–2.1	30.3	29.4	–1.2	28.2
Other assets	18.9	–30.7	–11.7	18.7	–50.9	–32.2
Defined benefit obligations	20.7	–	20.7	33.0	–	33.0
Non-current provisions	9.1	–1.0	8.0	13.4	–0.0	13.4
Current provisions	29.2	–1.0	28.2	29.2	–2.7	26.5
Other liabilities	53.6	–16.8	36.9	48.0	–14.6	33.4
Tax loss carryforwards	23.5	–	23.5	28.9	–	28.9
Elimination of intercompany profits	1.1	–	1.1	0.5	–	0.5
Tax assets / liabilities	225.2	–128.3	96.9	233.2	–153.2	80.1
Offset of assets and liabilities	–75.3	75.3	–	–69.1	69.1	–
Net recorded deferred income tax assets and liabilities	149.9	–53.0	96.9	164.2	–84.1	80.1

Cumulative deferred income taxes recorded in equity as of December 31, 2022, amounted to CHF 21.8 million (2021: CHF 0.5 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

millions of CHF	2022				Balance as of December 31
	Balance as of January 1	Recognized in profit or loss - continuing operations	Recognized in other comprehensive income	Currency translation differences	
Intangible assets	-54.6	4.6	-	3.9	-46.1
Property, plant and equipment	-13.6	-0.7	-	0.6	-13.7
Other financial assets	16.6	3.1	-	0.0	19.7
Inventories	28.2	1.5	-	0.6	30.3
Other assets	-32.2	15.4	5.4	-0.3	-11.7
Defined benefit obligations	33.0	-25.2	15.4	-2.5	20.7
Non-current provisions	13.4	-5.2	-	-0.2	8.0
Current provisions	26.5	2.2	-	-0.5	28.2
Other liabilities	33.4	4.7	-	-1.3	36.9
Tax loss carryforwards	28.9	-3.8	-	-1.6	23.5
Elimination of intercompany profits	0.5	0.6	-	-	1.1
Total	80.1	-2.7	20.7	-1.2	96.9

millions of CHF	2021							Balance as of December 31
	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	
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

Tax loss carryforwards (TLCF)

millions of CHF	2022				
	Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
Expiring in the next 3 years	0.1	0.0	–	0.0	–
Expiring in 4–7 years	6.0	1.1	–0.0	1.1	0.4
Available without limitation	219.4	39.4	–17.0	22.4	97.2
Total tax loss carryforwards as of December 31	225.5	40.5	–17.0	23.5	97.6

millions of CHF	2021				
	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

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 97.6 million (2021: CHF 119.3 million) or on step-ups in relation with the Swiss corporate tax reform (TRAF), which entered into effect on January 1, 2020.

To tackle uneven profit distribution and tax contributions of large multinational enterprises, several tax initiatives have been launched at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022. Both documents should be used by individual jurisdictions, which signed the agreement to amend their unilateral tax laws. Once changes to the tax laws in any jurisdiction in which Sulzer operates are enacted or substantively enacted, Sulzer may be subject to the top-up tax. At the date when these financial statements were authorized for issue, none of the jurisdictions in which Sulzer operates had enacted or substantively enacted the tax legislation related to the top-up tax. Management is closely monitoring the progress of the legislative process in each Sulzer jurisdiction. On December 31, 2022, the current status of the legislative process does not allow the Group to determine the potential quantitative impact.

15 Goodwill and other intangible assets

millions of CHF						2022
	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
Acquisition cost						
Balance as of January 1	1'067.3	93.8	9.8	47.2	449.5	1'667.6
Divestitures of subsidiaries	–	–	–	–0.3	–1.4	–1.7
Classification as held for sale ¹⁾	–8.6	–	–	–0.8	–12.6	–22.0
Additions	–	–	2.2	6.4	0.1	8.7
Disposals	–	–	–	–4.1	–8.6	–12.6
Reclassifications	–	–	4.1	1.8	0.2	6.0
Currency translation differences	–41.8	–1.3	–0.0	0.5	–27.7	–70.3
Balance as of December 31	1'016.9	92.5	16.1	50.7	399.5	1'575.6
Accumulated amortization and impairment losses						
Balance as of January 1	340.0	38.1	8.2	33.3	244.2	663.8
Divestitures of subsidiaries	–	–	–	–0.3	–1.4	–1.7
Classification as held for sale ¹⁾	–	–	–	–0.3	–6.4	–6.7
Additions	–	8.4	1.1	2.3	27.0	38.8
Disposals	–	–	–	–4.1	–8.6	–12.6
Currency translation differences	–	–0.7	–0.0	–0.2	–16.2	–17.1
Balance as of December 31	340.0	45.8	9.3	30.7	238.6	664.5
Net book value						
As of January 1	727.3	55.7	1.6	14.0	205.3	1'003.8
As of December 31	676.9	46.7	6.7	20.0	160.8	911.2

1) In 2022, Goodwill in the amount of CHF 8.6 million and other intangible assets with a net book value of 6.7 million were allocated to the Russian disposal group and fully impaired; reference is made to note 6. The impairments of CHF 15.3m are recorded in other operating expenses (see note 12).

millions of CHF						2021
	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

Goodwill impairment test

	2022			
millions of CHF	Goodwill	Headroom	Growth rate residual value	Pretax discount rate
Flow Equipment	384.9	605.7	2.0%	8.9%
Services	205.0	1'275.5	2.0%	10.2%
Chemtech	87.0	717.6	2.0%	10.5%
Total as of December 31	676.9	2'598.8		

	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 as of December 31	727.3	2'437.4		

Goodwill is allocated to the smallest cash-generating unit at which goodwill is monitored for internal management purposes (i.e., division). The recoverable amount has been determined based on a value-in-use calculation. The three-year strategic plan approved by the Board of Directors in the first quarter of the year forms the basis for the projected cash flows, with two additional periods based on a management calculation. These cash flow projections were updated by management in the middle of the year following the classification of the Russian business as held for sale and the associated write-downs. These updated cash flow projections cover a period of four and a half years. Cash flows beyond the planning period are extrapolated using a terminal value including a growth rate as stated above.

As of December 31, 2022, there is no indication of goodwill impairment. Updating the impairment test would not have resulted in any 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 6.6 percentage points could cause the carrying amount to exceed the recoverable amount (2021: decrease by 5.0 percentage points).

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

16 Property, plant and equipment

	2022				
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	332.8	503.8	179.4	43.6	1'059.6
Divestitures of subsidiaries	-0.6	-5.4	-0.6	-0.1	-6.7
Classification as held for sale ¹⁾	-9.1	-15.8	-4.1	-0.7	-29.7
Additions	4.6	14.8	7.8	34.0	61.2
Disposals	-3.1	-24.5	-6.7	-	-34.3
Reclassifications	10.5	20.5	2.5	-39.5	-6.0
Currency translation differences	-8.4	-15.9	-5.5	-1.2	-31.0
Balance as of December 31	326.8	477.5	172.8	36.1	1'013.2
Accumulated depreciation					
Balance as of January 1	150.7	363.9	151.1	-	665.7
Divestitures of subsidiaries	-0.2	-3.6	-0.5	-	-4.3
Classification as held for sale ¹⁾	-1.5	-9.4	-2.7	-	-13.5
Additions	10.1	25.9	11.0	-	47.0
Disposals	-1.6	-22.7	-6.3	-	-30.6
Impairments	-	7.8	0.0	2.7	10.5
Currency translation differences	-4.6	-11.9	-5.5	-0.1	-22.1
Balance as of December 31	152.9	350.1	147.1	2.6	652.6
Net book value					
As of January 1	182.2	139.8	28.4	43.6	394.0
As of December 31	173.9	127.4	25.7	33.5	360.5

1) In 2022, property, plant and equipment with a net book value of CHF 16.2 million was included in the Russian disposal group classified as held for sale and fully impaired; reference is made to note 6. The impairments of CHF 16.2 million are recorded in other operating expenses (see note 12).

	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

The group performed impairment tests on production machines and facilities, resulting in impairments of CHF 10.5 million as of December 31, 2022 (December 31, 2021: CHF 2.1 million), all of which were charged to operating expenses.

In 2022, the group sold property, plant and equipment with a book value of CHF 3.6 million for CHF 9.0 million resulting in a net gain of CHF 5.5 million (2021: property, plant and equipment with a book value of CHF 7.1 million was sold for CHF 8.7 million, resulting in a net gain of CHF 1.5 million).

The contractual commitments to acquire property, plant and equipment as of December 31, 2022, amounted to CHF 5.0 million (December 31, 2021: CHF 11.8 million).

17 Leases

Lease assets

	2022			
millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Balance as of January 1	71.7	5.7	11.7	89.2
Classification as held for sale ¹⁾	-0.7	-	-0.0	-0.7
Additions	33.6	1.4	8.4	43.3
Disposals	-5.8	-0.1	-0.6	-6.5
Depreciation	-20.2	-2.5	-6.3	-29.0
Impairments	-1.6	-	-0.0	-1.7
Remeasurements and contract modifications	-0.5	-	0.1	-0.4
Currency translation differences	-3.4	-0.0	-0.7	-4.1
Total lease assets as of December 31	73.0	4.5	12.6	90.1

1) In 2022, lease assets with a book value of CHF 0.7 million were included in the Russian disposal group classified as held for sale and fully impaired, reference is made to Note 6. The impairments of CHF 0.7m are recorded in other operating expenses (see note 12).

	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

Lease liabilities

	2022	2021
Balance as of January 1	88.8	119.7
Acquired through business combination	0.0	4.4
Derecognized as discontinued operations	–	–51.1
Classification as held for sale	–0.5	–
Additions	43.3	65.7
Interest expenses	2.0	2.1
Cash flow for repayments – principal portion	–32.1	–41.1
Cash flow for repayments – interest portion	–2.0	–2.1
Remeasurements and contract modifications	–6.0	–8.4
Currency translation differences	–4.0	–0.4
Total lease liabilities as of December 31	89.6	88.8
- thereof non-current lease liabilities	67.2	64.5
- thereof current lease liabilities	22.4	24.3

The group leases land and buildings used for production, storage or office space. The terms are typically fixed for a period of three to five years. Various lease contracts for buildings contain extension options, providing the group with operational flexibility and planning security. Extension options are included in the lease liability and the lease assets only if Management assesses these extension options as reasonably certain to be exercised.

Other leasing disclosures

millions of CHF	2022	2021
Recognized in the income statement		
Expenses relating to short-term leases	-13.8	-15.2
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	-1.0	-1.5
Expenses relating to variable lease payments not included in the lease liability	-2.7	-2.6
Income from subleasing right-of-use assets	0.5	0.8
Interest expenses on lease liabilities	-2.0	-2.1
Total recognized in the income statement continuing operations	-19.0	-20.6
Recognized in the income statement of discontinued operations	-	-2.4
Total recognized in the income statement	-19.0	-23.0
Recognized in the statement of cash flows		
Cash flow for short-term, low-value and variable leases (included within cash flow from operating activities)	-17.6	-19.3
Cash flow from subleasing right-of-use assets (included within cash flow from operating activities)	0.5	0.8
Cash flow for repayments of interest on lease liabilities (included within cash flow from operating activities)	-2.0	-2.1
Cash flow for repayments of the principal portion on lease liabilities (included within cash flow from financing activities)	-32.1	-41.1
Total cash outflow	-51.1	-61.7

18 Associates

millions of CHF	2022	2021
Balance as of January 1	25.5	21.2
Additions	20.9	6.9
Share of profit / (loss) of associates	-2.7	-2.2
Dividend payments received	-0.1	-0.5
Currency translation differences	-1.8	0.2
Total investments in associates as of December 31	41.8	25.5

On September 22, 2022, the group increased its investment in the associate Worn Again by CHF 20.9 million. Worn Again is developing a unique polymer recycling process leveraging the group's technology to enable the recycling of textiles and polyester packaging. Sulzer is accounting for its investment in Worn Again using the equity method of accounting.

19 Other financial assets

	2022			
millions of CHF	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized costs	Total
Balance as of January 1	10.9	22.5	11.3	44.7
Derecognized as discontinued operations	–	–	–	–
Additions	6.7	–	2.9	9.6
Repayments	–	–	–4.4	–4.4
Changes in fair value	8.0	–13.7	–	–5.8
Currency translation differences	–1.1	–	–0.6	–1.7
Balance as of December 31	24.4	8.8	9.3	42.5
– thereof non-current	22.8	–	5.6	28.5
– thereof current	1.5	8.8	3.6	14.0

	2021			
millions of CHF	Financial assets at fair value through profit or 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

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

The financial assets in the category “financial assets at fair value through other comprehensive income” are comprised of medmix shares amounting to CHF 8.8 million (2021: CHF 22.5 million), which were received as part of the Applicator Systems spin-off in 2021. The financial investment in medmix Ltd is recognized at its fair value based on the share price of medmix Ltd (a level 1 hierarchy valuation). Management has designated this investment at fair value through other comprehensive income at initial recognition. In 2022, fair value changes amounting to CHF –13.7 million (2021: CHF 0.6 million) were recorded in other comprehensive income, with an associated deferred tax effect of CHF 2.7 million (2021: CHF 0.1 million). The dividend received amounted to CHF 0.2 million (2021: CHF 0.0 million).

Financial assets at amortized costs include CHF 2.7 million (2021: CHF 0.0 million) in investments in fixed-term deposits with maturities between 4 and 12 months at the date of acquisition.

20 Inventories

millions of CHF	2022	2021
Raw materials, supplies and consumables	192.3	186.0
Work in progress	250.3	218.3
Finished products and trade merchandise	79.9	71.3
Total inventories as of December 31	522.4	475.6

In 2022, the group recognized write-downs of CHF 49.8 million (2021: CHF 16.5 million) in the income statement, of which CHF 31.4 million relates to write-downs in connection with the Russian business classified as held for sale. The accumulated write-downs on inventories amounted to CHF 79.9 million as of December 31, 2022 (2021: CHF 85.4 million). Material expenses in 2022 amounted to CHF 1'192.1 million (2021: CHF 1'110.1 million).

21 Assets and liabilities related to contracts with customers

millions of CHF	2022	2021
Sales recognized over time related to ongoing performance obligations	641.5	525.5
Sales recognized over time related to satisfied performance obligations	511.6	360.6
Sales recognized over time	1'153.1	886.0
Sales recognized at a point in time	2'026.8	2'269.3
Sales	3'179.9	3'155.3
– thereof sales recognized included in the contract liability balance at the beginning of the period	324.5	300.5
– thereof sales recognized from performance obligations satisfied (or partially satisfied) in previous periods	0.1	0.6
Cost of goods sold recognized over time related to ongoing performance obligations	–495.3	–391.8
Cost of goods sold recognized over time related to satisfied performance obligations	–372.4	–255.5
Cost of goods sold recognized over time	–867.7	–647.3
Cost of goods sold recognized at a point in time	–1'372.6	–1'561.1
Cost of goods sold	–2'240.3	–2'208.4
Gross profit recognized over time related to ongoing performance obligations	146.2	133.7
Gross profit recognized over time related to satisfied performance obligations	139.2	105.0
Gross profit recognized over time	285.4	238.7
Gross profit recognized at a point in time	654.2	708.2
Gross profit	939.6	946.9
Contract assets from sales recognized over time relating to ongoing performance obligations	1'087.4	912.5
Expected loss rate	0.2%	0.1%
Allowance for expected losses	–2.4	–0.6
Allowance for expected losses and write-off of contract assets in the disposal group classified as held for sale (see note 6)	–26.8	–
Netting with contract liabilities	–592.1	–502.6
Contract assets	466.1	409.3
Contract liabilities from costs recognized over time relating to ongoing performance obligations	119.2	86.3
Advance payments from customers relating to point in time contracts	172.9	173.3
Advance payments from customers relating to over time contracts	682.3	567.5
Netting with contract assets	–592.1	–502.6
Contract liabilities	382.3	324.5
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	1'844.7	1'724.1
– thereof expected to be recognized as revenue within 12 months	1'650.5	1'515.8
– thereof expected to be recognized in more than 12 months	194.2	208.3

Total sales recognized over time increased from CHF 886.0 million in 2021 to CHF 1'153.1 million in 2022. Contract assets increased by CHF 56.8 million and contract liabilities by CHF 57.8 million.

22 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	2022				2021			
	Expected loss rate	Gross amount	Allowance	Net book value	Expected loss rate	Gross amount	Allowance	Net book value
Not past due	0.9%	439.0	-3.7	435.2	0.2%	411.0	-0.9	410.2
Past due								
1-30 days	0.9%	61.6	-0.6	61.1	0.5%	54.6	-0.3	54.3
31-60 days	1.5%	31.7	-0.5	31.2	3.7%	24.1	-0.9	23.2
61-120 days	8.4%	20.7	-1.7	19.0	3.5%	21.2	-0.7	20.5
>120 days	52.2%	81.6	-42.6	39.0	56.7%	94.7	-53.7	41.0
Total trade accounts receivable as of December 31		634.6	-49.1	585.5		605.7	-56.5	549.2

Allowance for doubtful trade accounts receivable

millions of CHF	2022	2021
Balance as of January 1	56.5	53.7
Derecognized as discontinued operations	-	-2.0
Reclassification as held for sale	-8.6	-
Additions	19.3	19.5
Released as no longer required	-10.1	-8.5
Utilized	-7.6	-6.7
Currency translation differences	-0.3	0.6
Balance as of December 31	49.1	56.5

Approximately 31% (2021: 32%) of the gross amount of trade accounts receivable was past due, and an allowance of CHF 49.1 million (2021: CHF 56.5 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 by country and by division. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP).

Accounts receivable by geographical region

millions of CHF	2022	2021
Europe, the Middle East and Africa	265.9	236.1
– thereof United Kingdom	48.0	55.3
– thereof Saudi Arabia	38.6	32.5
– thereof Germany	22.8	15.8
– thereof Spain	21.7	20.4
– thereof France	23.4	12.1
Americas	124.8	111.0
– thereof USA	75.3	70.5
Asia-Pacific	194.8	202.0
– thereof China	127.5	137.7
Total as of December 31	585.5	549.2

23 Other current receivables and prepaid expenses

millions of CHF	2022	2021
Taxes (VAT, withholding tax)	55.8	62.0
Derivative financial instruments	13.2	7.0
Other current receivables	23.4	18.3
Total other current receivables as of December 31	92.4	87.3
Prepaid expenses	36.3	31.4
Total prepaid expenses as of December 31	36.3	31.4
Total other current receivables and prepaid expenses as of December 31	128.7	118.7

For further details on derivative financial instruments, refer to [note 30](#). Other current receivables and prepaid expenses do not include any material positions that are past due or impaired.

24 Cash and cash equivalents

millions of CHF	2022	2021
Cash	939.6	858.4
Cash equivalents	256.8	647.0
Total cash and cash equivalents as of December 31	1'196.3	1'505.4

As of December 31, 2022, the group held restricted cash and cash equivalents of CHF 15.7 million (2021: CHF 36.3 million).

25 Equity

Share capital

thousands of CHF	2022		2021	
	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. On December 31, 2022, conditional share capital amounted to CHF 17'000 (2021: CHF 17'000), consisting of 1'700'000 shares with a par value of CHF 0.01.

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, 2022		Dec 31, 2021	
	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
The Capital Group Companies, Inc.	1'034'950	3.02	-	-
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 2022, the group acquired 281'349 treasury shares for CHF 19.5 million (2021: 207'690 shares for CHF 21.8 million). The total number of shares held by the group as of December 31, 2022, amounted to 523'855 treasury shares (December 31, 2021: 534'733 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 5](#).

Transaction costs

In 2022, directly attributable transaction costs relating to the spin-off of the Applicator Systems division amounting to CHF 0.7 million (2021: CHF 3.4 million) have been recognized directly in retained earnings in equity.

Dividends

On April 6, 2022, the Annual General Meeting approved an ordinary dividend of CHF 3.50 (2021: ordinary dividend of CHF 4.00) per share to be paid out of reserves. The dividend was paid to shareholders on April 12, 2022. The total amount of the dividend to shareholders of Sulzer Ltd was CHF 118.7 million (2021: CHF 135.4 million), thereof paid dividends of CHF 80.6 million (2021: CHF 91.9 million) and unpaid dividends of CHF 38.1 million (2021: CHF 43.5 million). The dividend payments to the group's main shareholder, Tiwel Holding AG, could 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 29](#)).

The Board of Directors decided to propose to the Annual General Meeting 2023 a dividend for the year 2022 of CHF 3.50 per share (2021: CHF 3.50).

26 Earnings per share

	2022	2021
Net income attributable to shareholders of Sulzer Ltd – continuing operations	28.6	138.5
Net income attributable to shareholders of Sulzer Ltd – discontinued operations	–	1'278.3
Net income attributable to shareholders of Sulzer Ltd (millions of CHF)	28.6	1'416.7
Issued number of shares	34'262'370	34'262'370
Adjustment for average treasury shares held	–436'556	–474'364
Average number of shares outstanding as of December 31	33'825'814	33'788'006
Adjustment for share participation plans	697'151	534'195
Average number of shares for calculating diluted earnings per share as of December 31	34'522'965	34'322'201
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF) as of December 31		
Basic earnings per share	0.85	41.93
– thereof basic earnings per share continuing operations	0.85	4.10
– thereof basic earnings per share discontinued operations	–	37.83
Diluted earnings per share	0.83	41.28
– thereof diluted earnings per share continuing operations	0.83	4.03
– thereof diluted earnings per share discontinued operations	–	37.24

27 Borrowings

millions of CHF	2022		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'164.6	345.5	1'510.1
Cash flow from proceeds	169.6	1'054.0	1'223.6
Cash flow for repayments	-0.0	-1'376.1	-1'376.1
Changes in amortized costs	0.3	0.0	0.3
Reclassifications	-289.9	289.9	-
Currency translation differences	-0.8	-1.8	-2.6
Total borrowings as of December 31	1'043.9	311.4	1'355.3

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

Borrowings by currency

	2022			2021		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
CHF	1'333.8	98.4	1.4%	1'488.8	98.6	0.8%
INR	8.3	0.6	4.4%	6.0	0.4	4.7%
IDR	6.3	0.5	7.1%	1.6	0.1	7.2%
USD	5.0	0.4	3.8%	7.8	0.5	0.9%
EUR	-	-	-	1.3	0.1	0.3%
SEK	-	-	-	2.4	0.2	2.1%
Other	1.9	0.1	-	2.1	0.1	-
Total as of December 31	1'355.3	100.0	-	1'510.1	100.0	-

In 2021, 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). In 2022, the group exercised the first of the two extension options, extending the term of the credit facility partially by one year to December 2027 (for CHF 85 million of the facility, the maturity date remains unchanged). 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, 2022, and 2021, the syndicated facility was not used.

Outstanding bonds

millions of CHF	2022		2021	
	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	–	–	325.0	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.9	290.0	289.8	290.0
1.600% 10/2018–10/2024	249.9	250.0	249.9	250.0
0.800% 09/2020–09/2025	299.6	300.0	299.5	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.7	200.0
3.350% 12/2022–11/2026	169.6	170.0	–	–
Total as of December 31	1'333.8	1'335.0	1'488.8	1'490.0
– thereof non-current	1'043.9	1'045.0	1'163.8	1'165.0
– thereof current	289.9	290.0	325.0	325.0

On December 16, 2022, Sulzer issued a CHF 170 million single tranche bond. The bond has a term of three years and 11 months and carries a coupon of 3.350% at a price of 100.055%.

All the outstanding bonds are traded on SIX Swiss Exchange.

28 Provisions

	2022					
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	53.9	93.8	21.0	11.8	55.4	235.8
Classified as held for sale	–	–2.5	–	–	–	–2.5
Additions	11.0	26.9	1.8	0.1	68.0	107.8
Released as no longer required	–7.0	–10.0	–1.7	–	–3.6	–22.3
Utilized	–10.6	–16.1	–12.7	–0.0	–58.7	–97.9
Currency translation differences	–2.8	0.1	–0.3	–0.5	–3.3	–6.7
Total provisions as of December 31	44.5	92.3	8.1	11.4	57.8	214.1
– thereof non-current	31.0	3.2	1.2	11.4	11.5	58.2
– thereof current	13.5	89.1	6.9	0.0	46.3	155.9

	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

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.

In 2022, the group utilized CHF 12.7 million (2021: CHF 29.8 million) of restructuring provisions mainly relating to resizing measures of sites in Europe and the USA initiated in 2020 and 2021. The group recorded restructuring provisions of CHF 1.8 million for continuing operations (2021: CHF 11.5 million for continuing operation and CHF 0.2 million for discontinued operations), partly offset by released restructuring provisions of CHF 1.7 million (2021: CHF 2.0 million). Restructuring costs mainly relate to resizing activities in Indonesia. The remaining restructuring provision as of December 31, 2022, is CHF 8.1 million, of which CHF 6.9 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 to 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 2023, by their nature, the amounts and timing of any cash outflows are difficult to predict.

29 Other current and accrued liabilities

millions of CHF	2022	2021
Liability related to the purchase of treasury shares	92.9	98.1
Outstanding dividend payments	239.2	201.1
Taxes (VAT, withholding tax)	33.0	34.3
Derivative financial instruments	7.0	6.7
Notes payable	20.6	26.7
Contingent consideration	1.9	4.0
Other current liabilities	43.6	25.1
Total other current liabilities as of December 31	438.2	395.9
Contract-related costs	137.8	168.3
Salaries, wages and bonuses	108.9	116.8
Vacation and overtime claims	22.4	24.0
Other accrued liabilities	167.3	123.1
Total accrued liabilities as of December 31	436.5	432.3
Total other current and accrued liabilities as of December 31	874.7	828.1

The outstanding dividend payments of CHF 239.2 million (2021: CHF 201.1 million) are explained in [note 25](#).

30 Derivative financial instruments

millions of CHF	2022				2021			
	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	575.4	13.2	607.6	7.0	750.5	7.0	388.6	6.7
Interest rate swaps	–	–	–	–	–	0.7	–	0.8
Total as of December 31	575.4	13.2	607.6	7.0	750.5	7.7	388.6	7.5
– thereof due in <1 year	571.5	13.2	597.7	7.0	750.5	7.0	387.9	6.7
– thereof due in 1–5 years	3.9	0.1	9.9	0.0	–	0.7	0.7	0.0
– thereof due in >5 years	–	–	–	–	–	–	–	0.8

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 expected future sales were assessed as highly effective. For 2022, the unrealized losses for cash flow hedges recorded in the cash flow hedge reserves amount to CHF 7.5 million (2021: CHF 2.5 million), net of a deferred tax impact of CHF 2.6 million (2021: CHF 0.7 million). As of December 31, 2022, net cumulative unrealized losses of CHF 5.7 million (2021: gains of CHF 4.3 million) with deferred tax assets of CHF 1.6 million (2021: deferred tax liabilities of CHF 1.0 million) relating to these cash flow hedges were included in the cash flow hedge reserves. In 2022, gains of CHF 0.1 million (2021: loss of CHF 0.7 million) were reclassified from cash flow hedge reserves to profit and loss from continuing operations (2021: gains of CHF 1.8 million to continuing operations, and losses of CHF 1.1 million to discontinued operations). There was no ineffectiveness that arose from cash flow hedges in 2022 (2021: 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 in equity on forward foreign exchange contracts as of December 31, 2022, 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, 2022, the amount subject to such netting arrangements was CHF 2.7 million (2021: CHF 3.4 million). Considering the effect of these agreements, the amount of derivative assets would reduce from CHF 13.2 million to CHF 10.5 million (2021: from CHF 7.7 million to CHF 4.3 million), and the amount of derivative liabilities would reduce from CHF 7.0 million to CHF 4.3 million (2021: from CHF 7.5 million to CHF 4.1 million).

31 Contingent liabilities

millions of CHF	2022	2021
Guarantees in favor of third parties	9.1	43.0
Total contingent liabilities as of December 31	9.1	43.0

As of December 31, 2022, guarantees provided to third parties amounted to CHF 9.1 million (2021: CHF 43.0 million), whereof CHF 9.1 million were related to disposed businesses (2021: CHF 42.0 million). All guarantees will expire in 2023.

32 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	2022	2021
Restricted share unit plan	1.6	1.3
Performance share plan continuing operations	13.8	19.5
Performance share plan discontinued operations	-	1.1
Total charged to personnel expenses	15.4	21.9

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 in 2021, 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	2022	2021	2020	2019	2018	Total
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
Outstanding as of December 31, 2021	-	16'632	14'164	4'078	-	34'874
Outstanding as of January 1, 2022	-	16'632	14'164	4'078	-	34'874
Granted	11'637	-	-	-	-	11'637
Exercised	-	-10'344	-10'994	-4'078	-	-25'416
Outstanding as of December 31, 2022	11'637	6'288	3'170	-	-	21'095
Average fair value at grant date in CHF	77.82	106.32	65.22	97.76	118.20	

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) in the last year of 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 last three months prior to 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 and operational ROCEA) of PSP 2019, PSP 2020 and PSP 2021, the performance curve depicting the gradient formed from the threshold 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	2022	2021	2020	2019	2018
Fair value at grant date	84.69	124.95	78.18	115.95	143.62
Share price at grant date	76.35	101.12	76.05	92.46	120.60
Expected volatility	35.59%	34.68%	37.45%	29.64%	29.12%
Risk-free interest rate	0.39%	-0.58%	-0.64%	-0.57%	-0.42%

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	2022	2021	2020	2019	2018
Number of awards granted	97'930	90'527	151'422	112'857	74'467
Grant date	April 1, 2022	April 1, 2021	June 1, 2020	April 1, 2019	July 1, 2018
Performance period for cumulative operational profit	01/22–12/24	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20
Performance period for TSR	01/22–12/24	01/21–12/23	01/20–12/22	01/19–12/21	01/18–12/20
Fair value at grant date in CHF	84.69	124.95	78.18	115.95	143.62

Performance share units

Grant year	2022	2021	2020	2019	2018	Total
Outstanding as of January 1, 2021	–	–	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
Outstanding as of January 1, 2022	–	127'491	210'194	151'809	–	489'494
Granted	97'930	–	–	–	–	97'930
Exercised	–998	–3'788	–6'202	–151'809	–	–162'797
Forfeited	–2'746	–6'634	–4'828	–	–	–14'208
Outstanding as of December 31, 2022	94'186	117'069	199'164	–	–	410'419

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

Key management compensation

thousands of CHF	2022				2021			
	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	1'152	905	283	2'340	1'444	1'155	263	2'862
Executive Committee	7'065	2'822	1'649	11'536	8'186	4'486	1'938	14'609

As of December 31, 2022, 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.

Transactions and balances with associates

In 2022, the group recorded transactions and balances with associates. Sales with associates amounted to CHF 0.0 million (2021: CHF 4.8 million), the operating expenses amounted to CHF 2.5 million (2021: CHF 0.7 million). As of December 31, 2022, receivables amount to CHF 0.0 million (2021: CHF 1.6 million), payables amount to CHF 0.4 million (2021: CHF 0.4 million). See [note 18](#) for details on the investments in associates.

Transactions and balances with other related parties

In 2022, sales with other related parties amount to CHF 0.0 million (2021: CHF 0.1 million), no other operating income was recorded in 2022 (2021: CHF 3.1 million), operating expenses in relation to goods and services purchased amount to CHF 0.0 million (2021: CHF 1.3 million). No Interest income (2021: CHF 0.1 million) was recorded with related parties. As of December 31, 2022, trade and other receivables with other related parties amount to CHF 0.0 million (2021: CHF 1.9 million). Open payables with related parties amounted to CHF 332.0 million (2021: CHF 299.4 million), of which CHF 92.9 million (2021: CHF 98.1 million) related to the purchase of treasury shares (see [note 29](#)) and CHF 239.2 million (2021: CHF 201.1 million) related to outstanding dividend payments (see [note 25](#) and [note 29](#)). In 2022, there were no other financial assets with related parties (2021: CHF 3.4 million).

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

34 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 4.1 million (2021: CHF 3.8 million). Additional services provided by the group auditor amounted to a total of CHF 1.9 million (2021: CHF 1.5 million). This amount includes CHF 0.2 million (2021: CHF 0.2 million) for tax services and CHF 1.7 million (2021: CHF 1.3 million) for other services.

35 Key accounting policies and valuation methods

35.1 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 or 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 35.20 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 7](#).

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.

35.2 Change in accounting policies

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

A number of amendments to standards became effective applicable for the current reporting period, they did not have a material impact on the group's financial statements.

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

The following amended standards will become effective from January 1, 2023. The group does not expect these to have a material impact on the consolidated financial statements:

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. Deferred tax assets and deferred tax liabilities need to be recorded on temporary differences arising from leases and decommissioning liabilities.
- Amendments to IAS 1 – Disclosure of Accounting Policies. The amendments clarify when an entity is likely to consider accounting policy information to be material to its financial statements.
- Amendments to IAS 8 – Definition of Accounting Estimates. The amendments will become effective January 1, 2023 and define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.
- IFRS 17 – Insurance Contracts will become effective January 1, 2023.

The following amended standards will become effective from January 1, 2024. The group is in the process of assessing the below amendments and does currently not expect these to have a material impact on the consolidated financial statements:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants.
- Amendments to IFRS 16 – Lease liability in a sale and leaseback.

35.3 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.

35.4 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.

35.5 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 2022 and 2021:

CHF	2022		2021	
	Average rate	Year-end rate	Average rate	Year-end rate
EUR 1	1.00	0.98	1.08	1.03
GBP 1	1.18	1.11	1.26	1.23
USD 1	0.95	0.92	0.91	0.91
CNY 100	14.19	13.29	14.17	14.35
INR 100	1.21	1.12	1.24	1.23
RUB 100	1.36	1.28	1.24	1.23

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.

35.6 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 investment in associate.

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 the specific software and bring to use. 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.

35.7 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

35.8 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).

35.9 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 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 lease 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.

35.10 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 financial income / (expenses), net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other financial income / (expenses), net, 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 financial income / (expenses), net 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.

35.11 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.

35.12 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.

35.13 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 and are recognized in the income statement in Costs of goods sold.

35.14 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. The group applies the simplified approach, measuring the loss amount based on lifetime 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.

35.15 Cash and cash equivalents

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

35.16 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.

35.17 Trade payables

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

35.18 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.

35.19 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.

35.20 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 market yields on 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”.

35.21 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 the members of the Sulzer Management Group. A restricted share plan (RSP) covers the members of the Board of Directors.

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., target profit levels). 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.

35.22 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.

35.23 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 group and the group has an enforceable right to payment (including reasonable profit margin) for performance completed 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 international commercial terms). 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 is 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 group 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	Created asset has alternative use for the group 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		
	– Procurement of equipment, spare parts		
Services / engineered solutions		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.

35.24 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. Assets classified as held for sale are no longer amortized or depreciated.

35.25 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.

35.26 Discontinued operations

A discontinued operation is a component of the group's business that can be clearly distinguished from the rest of the group and:

- 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.

36 Subsequent events after the balance sheet date

On February 3, 2023, Sulzer signed an agreement to sell its business in Russia to a local third party. The transaction is subject to regulatory approvals by the Russian Government Subcommittee for Control over Foreign Investments and the Federal Antimonopoly Service (FAS). The closing of the transaction is expected in the following months. The disposal group classified as held for sale was measured based on the expected sales proceeds.

The Board of Directors authorized these consolidated financial statements for issue on February 16, 2023. They are subject to approval at the Annual General Meeting, which will be held on April 19, 2023. 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.

37 Major subsidiaries

December 31, 2022

	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., Anderlecht	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	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	100%	NOK 150'000				•	•
The Netherlands	Sulzer Pumps Wastewater Netherlands B.V., Maastricht-Airport	100%	EUR 45'378				•	•
	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	•			•	•
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	100%	SEK 200'000		•	•	•	•
Spain	Sulzer Pumps Spain S.A., Madrid	100%	EUR 1'750'497	•		•	•	•
	Sulzer Pumps Wastewater Spain S.A.U., 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	•		•	•	•
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	•			•	•
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	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	•			



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, 2022 and the “[Consolidated income statement](#)”, “[Consolidated statement of comprehensive income](#)”, “[Consolidated statement of changes in equity](#)” and “[Consolidated statement of cash flows](#)” for the year then ended, and “[Notes to the consolidated financial statements](#)”, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key Audit Matters



Customer contracts – existence and accuracy of revenue, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities



Accounting for warranties and other costs to fulfil 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 – existence and accuracy of revenue, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities

Key Audit Matter

As per December 31, 2022, revenue from customer contracts amounts to CHF 3'179.9 million, contract assets amount to CHF 466.1 million, contract liabilities to CHF 382.3 million, the balance of work in progress (WIP) amounts to CHF 250.3 million and trade accounts receivable amount to CHF 585.5 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 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 20](#) to the consolidated financial statements
- [Note 21](#) to the consolidated financial statements
- [Note 22](#) to the consolidated financial statements



Accounting for warranties and other costs to fulfil contract obligations

Key Audit Matter

As per December 31, 2022, provisions in the amount of CHF 92.3 million are held on the balance sheet to cover expected costs arising from product warranties. Additional expected costs to fulfil 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 cost to fulfil contract obligations refer to the following:

- [Note 28](#) to the consolidated financial statements



Valuation of goodwill

Key Audit Matter

As per December 31, 2022, Sulzer’s balance sheet included goodwill amounting to CHF 676.9 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.

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 15](#) 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 the 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.

Board of Directors’ Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 16, 2023

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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 from continuing operations. ROS from continuing operations is calculated by dividing EBIT from continuing operations by sales from continuing operations.

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)

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, amortization and impairment.

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) and Free cash flow (FCF) from continuing operations

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). Free cash flow (FCF) from continuing operations excludes the Free cash flow (FCF) from discontinued operations.

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 8](#) and for operational ROCEA to the table below.

Operational ROCEA reconciliation statement

millions of CHF	2022	2021
Total assets	4'620.2	5'010.4
./. Other intangible assets	-234.3	-276.5
./. Cash and cash equivalents	-1'196.3	-1'505.4
./. Current financial assets	-14.0	-26.7
./. Total current and non-current income and deferred tax assets and liabilities	-92.4	-64.3
./. Total non-current liabilities	-1'348.6	-1'568.8
./. Total current liabilities	-2'217.5	-2'162.3
Non-current borrowings	1'043.9	1'164.6
Current borrowings	311.4	345.5
Liability related to the purchase of treasury shares	92.9	98.1
Outstanding dividend payments	239.2	201.1
Adjustment for average calculation and currency translation differences	135.8	74.4
Average capital employed from continuing operations	1'340.2	1'290.1
Operational profit from continuing operations	317.6	293.3
Average capital employed	1'340.2	1'290.1
Operational ROCEA	23.7%	22.7%

Five-year summaries of key financial data

Key figures from consolidated income statement and statement of cash flows

millions of CHF	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Order intake from continuing operations	3'425.4	3'167.6	3'049.2	3'322.1	3'081.9
Currency-adjusted growth order intake from continuing operations	9.2%	3.6%	-1.1%	n/a	n/a
Order intake gross margin from continuing operations	33.5%	33.1%	32.6%	32.0%	31.4%
Order backlog from continuing operations	1'844.7	1'724.1	1'676.8	1'731.8	1'721.9
Sales from continuing operations	3'179.9	3'155.3	2'967.8	3'307.9	2'911.0
Operating income (EBIT) from continuing operations	111.4	221.8	132.5	202.8	120.9
Operational profit from continuing operations	317.6	293.3	255.0	283.1	226.8
Operational profitability from continuing operations	10.0%	9.3%	8.6%	8.6%	7.8%
Net income attributable to shareholders of Sulzer Ltd	28.6	1'416.7	83.6	154.0	113.7
– in percentage of equity attributable to shareholders of Sulzer Ltd (ROE)	2.8%	111.2%	6.0%	9.7%	7.0%
Basic earnings per share (in CHF)	0.85	41.93	2.46	4.52	3.56
Depreciation from continuing operations	-76.0	-81.0	-78.3	-79.7	-52.2
Amortization from continuing operations	-38.8	-50.2	-46.7	-45.5	-49.4
Impairments of tangible and intangible assets from continuing operations	-44.5	-4.2	-9.4	-3.1	-0.7
Research and development expenses from continuing operations	-66.4	-64.4	-63.8	-62.7	-63.9
Personnel expenses from continuing operations	-1'002.4	-1'018.1	-1'014.4	-1'078.7	-1'241.9
Capital expenditure (incl. lease assets) from continuing operations	-100.0	-119.4	-88.0	-100.8	-64.7
Free cash flow (FCF) from continuing operations	58.3	210.5	262.6	156.8	115.5
FCF conversion (free cash flow/net income) from continuing operations	2.08	1.50	3.67	1.18	1.80
Employees (number of full-time equivalents) from continuing operations as of December 31	12'868	13'816	13'197	14'685	13'708

1) Comparative information has been re-presented due to discontinued operations (details are described in note 5).

Key figures from consolidated balance sheet

millions of CHF	2022	2021	2020 ¹⁾	2019	2018
Non-current assets	1'584.2	1'834.2	2'279.9	2'172.0	2'057.7
– thereof property, plant and equipment	360.5	394.0	545.3	544.4	527.0
Current assets	3'036.0	3'176.2	3'087.1	2'937.5	2'840.6
– thereof cash and cash equivalents	1'196.3	1'505.4	1'123.2	1'035.5	1'095.2
Total assets	4'620.2	5'010.4	5'367.0	5'109.5	4'898.3
Equity attributable to shareholders of Sulzer Ltd	1'024.3	1'273.8	1'404.3	1'580.7	1'629.9
Non-current liabilities	1'348.6	1'568.8	1'976.0	1'644.1	1'646.8
– thereof non-current borrowings	1'043.9	1'164.6	1'491.3	1'199.2	1'316.3
– thereof non-current lease liabilities	67.2	64.5	90.2	82.3	–
Current liabilities	2'242.9	2'162.3	1'973.8	1'871.5	1'610.4
– thereof current borrowings	311.4	345.5	231.8	131.0	18.0
– thereof current lease liabilities	22.4	24.3	29.5	27.4	–
Net debt	234.6	66.8	414.5	346.9	239.0
Net debt/EBITDA ratio	0.87	0.15	1.26	0.84	0.73
Equity ratio ²⁾	22.2%	25.4%	26.1%	30.9%	33.3%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 5). 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. Defined benefit assets are presented as non-current assets and comparative information is re-presented.

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				
	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Flow Equipment	1'419.2	1'324.7	1'297.6	1'458.9	1'372.1	1'323.0	1'389.0	1'296.3	1'477.0	1'284.2
Services	1'171.3	1'163.4	1'130.8	1'193.2	1'109.7	1'117.0	1'117.7	1'078.3	1'167.0	1'063.7
Chemtech	834.9	679.5	620.8	670.0	600.1	739.9	648.5	593.1	664.0	563.2
Total	3'425.4	3'167.6	3'049.2	3'322.1	3'081.9	3'179.9	3'155.3	2'967.8	3'307.9	2'911.0

millions of CHF	Order backlog from continuing operations					Employees from continuing operations ²⁾				
	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Flow Equipment	850.1	811.5	845.0	924.3	982.9	5'263	5'325	5'362	5'759	5'713
Services	492.9	479.5	435.0	422.2	393.1	4'559	4'571	4'449	4'900	4'721
Chemtech	501.7	433.2	396.9	385.3	345.9	2'852	3'734	3'221	3'803	3'063
Divisions	1'844.7	1'724.1	1'676.8	1'731.8	1'721.9	12'674	13'631	13'032	14'463	13'497
Others						194	185	165	222	211
Total	1'844.7	1'724.1	1'676.8	1'731.8	1'721.9	12'868	13'816	13'197	14'685	13'708

millions of CHF	Operational profit from continuing operations					Operational profitability from continuing operations				
	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Flow Equipment	87.4	81.4	55.2	59.7	41.4	6.6%	5.9%	4.3%	4.0%	3.2%
Services	159.0	158.7	150.3	164.5	146.1	14.2%	14.2%	13.9%	14.1%	13.7%
Chemtech	80.0	64.8	56.9	63.8	50.0	10.8%	10.0%	9.6%	9.6%	8.9%
Divisions	326.4	304.9	262.4	288.0	237.5	10.3%	9.7%	8.8%	8.7%	8.2%
Others	-8.8	-11.6	-7.4	-4.9	-10.7	n/a	n/a	n/a	n/a	n/a
Total	317.6	293.3	255.0	283.0	226.8	10.0%	9.3%	8.6%	8.6%	7.8%

1) Comparative information has been re-presented due to discontinued operations (details are described in note 5).

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	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Europe, the Middle East and Africa	1'322.9	1'281.2	1'211.6	1'375.8	1'275.9
Americas	1'193.2	1'051.8	1'009.5	1'134.6	1'144.8
Asia-Pacific	909.3	834.6	828.2	811.7	661.2
Total	3'425.4	3'167.6	3'049.2	3'322.1	3'081.9

1) Comparative information has been re-presented due to discontinued operations (details are described in note 5).

Sales from continuing operations by region

millions of CHF	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
Europe, the Middle East and Africa	1'207.9	1'297.5	1'198.1	1'306.9	1'203.5
Americas	1'142.8	978.1	1'027.1	1'165.3	964.4
Asia-Pacific	829.2	879.7	742.6	835.8	743.1
Total	3'179.9	3'155.3	2'967.8	3'307.9	2'911.0

1) Comparative information has been re-presented due to discontinued operations (details are described in note 5).

Employees from continuing operations by company location ¹⁾

millions of CHF	2022	2021	2020	2019	2018
Europe, the Middle East and Africa	5'602	5'795	5'709	6'246	5'943
Americas	3'422	4'207	3'960	4'429	4'211
Asia-Pacific	3'845	3'815	3'528	4'010	3'555
Total	12'868	13'816	13'197	14'685	13'708

1) Number of full-time equivalents as of December 31.

Balance sheet of Sulzer Ltd

December 31

millions of CHF	Notes	2022	2021
Current assets			
Cash and cash equivalents	3	388.0	603.1
Marketable securities		8.8	22.5
Accounts receivable from subsidiaries		324.2	215.8
Prepaid expenses and other current accounts receivable		3.1	6.2
Total current assets		724.1	847.6
Non-current assets			
Loans to subsidiaries		743.9	854.1
Financial assets		12.3	8.7
Investments in subsidiaries	4	1'486.6	1'531.9
Investments in associates		5.4	7.9
Total non-current assets		2'248.2	2'402.6
Total assets		2'972.3	3'250.2
Current liabilities			
Current interest-bearing liabilities	6	289.9	325.1
Current liabilities with subsidiaries		0.2	46.7
Current liabilities with shareholders		332.3	299.5
Accrued liabilities and other current liabilities		11.9	12.2
Current provisions		5.2	5.2
Total current liabilities		639.5	688.7
Non-current liabilities			
Non-current interest-bearing liabilities	6	1'043.9	1'163.8
Non-current provisions		33.2	33.2
Total non-current liabilities		1'077.1	1'197.0
Total liabilities		1'716.6	1'885.7
Equity			
Registered share capital	5	0.3	0.3
Legal capital reserves	5	155.5	155.5
Reserves from capital contribution		200.7	200.7
Voluntary retained earnings			
– Free reserves	5	891.5	891.5
– Retained earnings		48.8	46.2
– Net profit for the year		1.8	121.3
Treasury shares	5	–42.9	–51.0
Total equity		1'255.7	1'364.5
Total equity and liabilities		2'972.3	3'250.2

Income statement of Sulzer Ltd

January 1 – December 31

millions of CHF	Notes	2022	2021
Income			
Investment income	9	160.0	183.8
Financial income	11	44.0	67.2
Other income	10	42.3	43.6
Total income		246.3	294.6
Expenses			
Administrative expenses	8	70.1	90.0
Financial expenses	11	45.7	17.7
Investment and loan expenses	9	118.5	53.3
Other expenses		9.3	11.7
Direct taxes		0.9	0.6
Total expenses		244.5	173.3
Net profit for the year		1.8	121.3

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, 2021	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
Dividend						-118.7		-118.7
Allocation of net income					2.6	-2.6		-
Net profit for the year						1.8		1.8
Change in treasury shares							8.1	8.1
Equity as of December 31, 2022	0.3	155.5	200.7	891.5	48.8	1.8	-42.9	1'255.7

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 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). In 2022, the group exercised the first of the two extension options, extending the term of the credit facility partially by one year to December 2027 (for CHF 85 million of the facility, the maturity date remains unchanged). 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, 2022, and 2021, 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 37](#) to the consolidated financial statements.

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, 2022		Dec 31, 2021	
	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
The Capital Group Companies, Inc.	1'034'950	3.02	-	-
FIL Limited	-	-	1'114'854	3.25

Treasury shares held by Sulzer Ltd

millions of CHF	2022		2021	
	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	534'733	51.0	426'467	38.3
Purchase	281'349	19.5	207'690	21.8
Share-based remuneration	-292'227	-27.6	-99'424	-9.1
Balance as of December 31	523'855	42.9	534'733	51.0

The total number of treasury shares held by Sulzer Ltd as of December 31, 2022, amounted to 523'855 (December 31, 2021: 534'733 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	2022		2021	
	Book value	Nominal	Book value	Nominal
0.375% 07/2016–07/2022	–	–	325.1	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.9	290.0	289.7	290.0
1.600% 10/2018–10/2024	249.9	250.0	249.9	250.0
0.800% 09/2020–09/2025	299.6	300.0	299.5	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.7	200.0
3.350% 12/2022–12/2026	169.7	170.0	–	–
Total as of December 31	1'333.8	1'335.0	1'488.9	1'490.0
– thereof non-current	1'043.9	1'045.0	1'163.8	1'165.0
– thereof current	289.9	290.0	325.1	325.0

All the outstanding bonds are traded on SIX Swiss Exchange.

7 Contingent liabilities

millions of CHF	2022	2021
Guarantees, sureties and comfort letters for subsidiaries		
– to banks and insurance companies	937.3	918.5
– to customers	258.2	198.8
– to others	455.7	483.0
Guarantees for third parties	9.0	42.9
Total contingent liabilities as of December 31	1'660.2	1'643.2

As of December 31, 2022, CHF 410.8 million (2021: CHF 402.5 million) in guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

8 Administrative expenses

millions of CHF	2022	2021
Compensation of Board of Directors	1.8	3.4
Other administrative expenses	68.3	86.6
Total administrative expenses	70.1	90.0

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 2022, the investment income contained ordinary and extraordinary dividend payments from subsidiaries amounting to CHF 142.9 million (2021: CHF 162.9 million). The income from the sale of a subsidiary amounted to CHF 7.0 million, net.

In 2022, Sulzer Ltd released hidden reserves in the amount of CHF 10.0 million (2021: CHF 20.0 million).

The investment and loan expenses contain allowances on investments amounting to CHF 44.6 million (2021: CHF 51.3 million) and waivers on loans and receivables amounting to CHF 71.3 million (2021: CHF 0.0 million). The share of loss from associates amounts to CHF 2.5 million (2021: CHF 2.0 million).

10 Other income

The income from trademark license amounts to CHF 42.3 million (2021: CHF 42.3 million).

11 Financial income and expenses

The financial income contains interests on loans with subsidiaries amounting to CHF 42.1 million (2021: CHF 34.1 million). The financial expenses contain mainly interest expenses on interest-bearing liabilities of CHF 15.8 million (2021: CHF 15.9 million). The foreign currency revaluation on intercompany loans resulted in a loss of CHF 11.4 million (2021: gain of CHF 9.1 million) and on marketable securities in a loss of CHF 18.5 million (2021: gain of CHF 21.9 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.

	2022				
	Sulzer shares	Restricted share units (RSU) ¹⁾	Performance share units (PSU) 2020 ²⁾	Performance share units (PSU) 2021 ³⁾	Performance share units (PSU) 2022 ⁴⁾
Board of Directors	23'434	21'095	–	–	–
Suzanne Thoma	744	4'701	–	–	–
Matthias Bichsel	12'600	4'406	–	–	–
Alexey Moskov	2'217	3'786	–	–	–
David Metzger	600	2'808	–	–	–
Hanne Birgitte Breinbjerg Sørensen	7'273	3'786	–	–	–
Markus Kammüller	–	1'608	–	–	–
Executive Committee	32'723	–	16'827	12'412	20'640
Suzanne Thoma	744	–	–	–	2'120
Thomas Zickler	1'513	–	1'273	1'212	5'074
Armand Sohet	6'791	–	7'777	4'994	4'186
Tim Schulten	–	–	–	1'212	5'074
Torsten Wintergerste	23'675	–	7'777	4'994	4'186

1) Restricted share units assigned by Sulzer.

2) The average fair value of one performance share unit 2020 at grant date amounted to CHF 78.18.

3) The average fair value of one performance share unit 2021 at grant date amounted to CHF 124.95.

4) The average fair value of one performance share unit 2022 at grant date amounted to CHF 84.69.

	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.

Granted Sulzer shares to members of the Board of Directors

	2022		2021	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the Board of Directors	11'637	905'000	16'632	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 was not aware of any events that would materially affect these financial statements.

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

in CHF	2022	2021
Net profit for the year	1'802'000	121'291'000
Unallocated profit carried forward from previous year	48'819'259	46'229'034
Total available profit	50'621'259	167'520'034
Appropriation from free reserves	100'000'000	–
Ordinary dividend	–118'084'803	–118'700'775
Balance carried forward	32'536'456	48'819'259
Dividend distribution per share CHF 0.01		
Gross dividend	3.50	3.50
Withholding tax (35%)	–1.23	–1.23
Net dividend	2.27	2.27

The Board of Directors proposes the payment of a dividend of CHF 3.50 per share to the Annual General Meeting on April 19, 2023. 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 (the Company), which comprise the “[Balance sheet of Sulzer Ltd](#)” as at December 31, 2022, 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, 2022, comply with Swiss law and the Company’s articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Board of Directors’ Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

KPMG AG



Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, February 16, 2023

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Disclaimer

This report may contain forward-looking statements, including, but not limited to, projections of financial developments and future performance of materials and products, containing risks and uncertainties. These statements are subject to change based on known and unknown risks and various other factors that could cause the actual results or performance to differ materially from the statements made herein.

Rounding

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

Tables

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

Languages

Parts of the Sulzer Annual Report 2022 have been translated into German. Please note that the English-language version of the Sulzer Annual Report is the binding version.