SULZER

Midyear Report 2022

Contents

Dear Shareholders,

The first half of 2022 has brought a number of significant global challenges. Supply chain difficulties that began during the pandemic have persisted, and the outbreak of war in Ukraine has caused further disruption and exacerbated the spike in energy and raw materials prices. China also suffered renewed lockdowns that once again halted production for several weeks.

Despite these headwinds, Sulzer again demonstrated that it can rise to any challenge and returned a strong set of results for the first half of the year, with orders increasing by a substantial 11.4% compared with last year's H1 and stable sales and higher operational profitability.

"We continue to deliver on our strategy and have performed remarkably well to return this strong set of results despite the macroeconomic and geopolitical challenges — a strong testimony to our customers' trust in Sulzer. I would like to take this opportunity to thank our employees for their resilience and dedication — each of them went above and beyond to serve our customers in these uncertain times."

Frederic Lalanne
CEO

Swift reaction to geopolitical challenges

As the war in Ukraine began in February and companies started to pull out of Russia, Sulzer chose to wind down all cross-border business. In May, we took a step further and decided to exit the Russian market and initiate the sales process of our Russian business. We continue to prioritize finding the most suitable buyer that will ensure continuity for our employees and customers in Russia.

As a consequence, we will have a one-time impact of CHF 125 to 135 million at current exchange rates, with our assets in Russia as well as in our wound-down Polish operations to be written off. While this has not significantly impacted operational results, the write-off has affected our bottom line, with CHF 119.1 million booked in H1 2022.

Significant rise in orders

Despite the global headwinds that the world is grappling with, our teams managed to deliver a strong set of results. Our orders increased by 11.4%, buoyed by significant rises in all our divisions, with particularly robust activity in Chemtech (+20.8% year-on-year) and Flow Equipment (+14.0% year-on-year). Our sales remained stable against last year, while our operational profitability rose by 50 basis points to 9% thanks to strong execution, product portfolio mix and strict cost discipline, allowing us to manage the negative impact of inflation on raw material and labor costs.

"Thanks to our technology leadership and our competencies, Sulzer is making a significant contribution to solving some of the defining societal challenges of our time. Our solutions bring together the interests of industry with those of sustainability, aligning the needs of society and the planet."

Suzanne Thoma
Chairwoman of the Board of Directors

Strategy yielding results

We continue to focus on capturing growth opportunities in markets driven by sustainability, with significant positive results. Our wide variety of cleantech solutions are being used to address environmental challenges in areas like water, circular and renewable applications — and we have the innovation pipeline in place to capitalize on the upward trends in these markets. In June, we announced that we are supporting Shell to produce 820’000 tonnes of biofuels from waste at its new Rotterdam facility, enough to eliminate 2’800’000 tonnes of CO_2 emissions per year. Moreover, we continue to leverage our unique service position to strengthen and develop the business. In the first half of the year, we expanded our footprint in India by opening a state-of-the-art new service center, equipped with the latest cutting-edge machinery and advanced digital technologies.

Furthermore, our focus on ESG as an anchor for sustainable performance is also yielding results. Earlier this month, we published a standalone sustainability report, further underlining our increasing dedication to the topic. Among the highlights from the report are a 25% reduction in CO_2-equivalent emissions in 2021 and a five-fold increase in the adoption of decarbonized energy, setting us firmly on the path to achieving our ambitious targets.

Outlook

We expect continuing momentum in our markets despite prevailing macro and geopolitical uncertainties and increased volatility. We confirm our guidance for the full year; we expect organic order growth of 3 to 5% year on year, organic sales growth of 2 to 4% (excluding the impact of exiting the Russian market), and operational profitability to continue on its upwards trajectory to reach close to 10% of sales.

We would like to extend a warm word of thanks to our customers, partners and shareholders, whose loyalty has been unwavering and essential in these challenging times.

And finally, our gratitude goes to our employees, who have truly gone above and beyond in very difficult circumstances to deliver for our customers and produce these results. In every corner of our company, we see examples of our teams finding inventive solutions and going the extra mile to help Sulzer succeed. Your ongoing efforts are the key to our success — thank you.

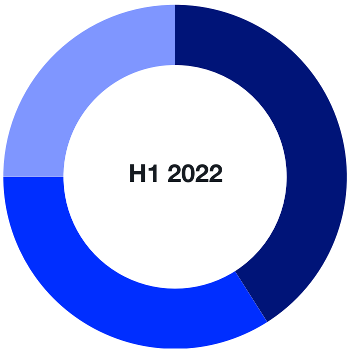
Sincerely,

Suzanne Thoma
Chairwoman of the Board

Frederic Lalanne
CEO

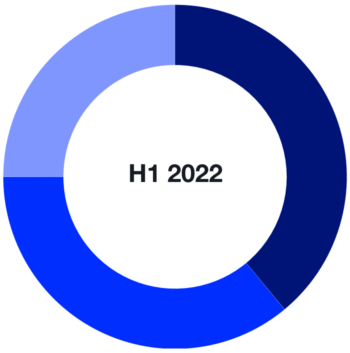
Our key figures

Order intake by division



- 41% Flow Equipment
- 34% Services
- 25% Chemtech

Order intake by region



- 39% Europe, the Middle East and Africa
- 36% Americas
- 25% Asia-Pacific

Key figures

millions of CHF	2022	2021 [1]	Change in +/–%	+/–% adjusted [2]	+/–% organic [3]
Order intake from continuing operations	1'734.1	1'551.5	11.8	11.4	10.9
Order intake gross margin from continuing operations	32.8%	33.1%			
Order backlog from continuing operations as of June 30 / December 31	1'896.2	1'724.1	10.0		
Sales from continuing operations	1'516.8	1'495.0	1.5	0.9	0.6
EBIT from continuing operations [4]	–25.5	97.4	n/a		
Operational profit from continuing operations	135.8	127.6	6.5	4.9	4.7
Operational profitability from continuing operations	9.0%	8.5%			
Core net income from continuing operations	74.4	83.9	–11.3		
Net income from continuing operations	–48.8	60.8	n/a		
Basic earnings per share from continuing operations (in CHF)	–1.43	1.78	n/a		
Free cash flow (FCF)	–78.2	117.1	n/a		
Net debt as of June 30 / December 31	269.4	66.8	303.2		
Employees (number of full-time equivalents) from continuing operations as of June 30 / December 31	12'914	13'816	–6.5		

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6 to the consolidated financial statements).
2) Adjusted for currency effects.
3) Adjusted for acquisition and currency effects.
4) Impacted by write-offs related to Russia and Poland.

Business review

Substantial rise in orders, further increase in operational profitability

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures and exclude the results of the Applicator Systems division (see note 6 to the consolidated financial statements). Sulzer uses some alternative performance measures; these are defined in the Sulzer Annual Report 2021.

Order intake increased by 11.4% including acquisitions and 10.9% organically. Sales remained stable, recording a year-on-year change of 0.9% and 0.6% excluding acquisitions — a solid achievement in a difficult environment. While EBIT and net income were impacted by write-offs related to the exit from Russia and closure of activities in Poland, operational profitability reached 9.0% for Sulzer. Free cash flow, impacted by global supply chain constraints, amounted to CHF –78.2 million.

Russia exit and Poland closure

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 with operations in all three divisions.

An active program to find a buyer or buyers for the entities is ongoing, with discussions taking place with interested parties. As a result of this, the assets and liabilities of these entities were classified as held for sale for the period ended June 30, 2022, and corresponding impairments and other write-offs were recorded.

On May 19, 2022, the group announced its intention to wind down its business in Poland following a decision on an interpretation of the Polish sanction regulations, which were unilaterally introduced by Poland. The business in Poland included two entities with activities in the Flow Equipment and Services divisions. As the group assessed that it no longer controls the two entities, the entities were deconsolidated and a write-off of the associated assets was undertaken.

In line with the ad-hoc announcement issued on July 1, 2022, the impact from both events has been recorded in Sulzer’s H1 result and amounts to CHF 119.1 million on a net income level. The majority of the impact stems from the exit from the Russian market, and includes CHF 21.0 million net financial income (shown below EBIT) arising from foreign exchange movements on unhedged intercompany loans to Russia. The order backlog adjustment associated with the exit from Russia was CHF –70.8 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.

Increased order intake in all three divisions

Compared with the first half of 2021, order intake increased by a strong 11.4% to CHF 1’734.1 million, fueled by organic growth of 10.9% and CHF 7.0 million from net acquisitions. Currency translation effects had a positive impact on order intake of CHF 5.9 million. Order intake gross margin decreased nominally by 0.3 percentage points to 32.8%.

“We are continuing our growth path with a substantial increase in orders in the first half of 2022 and a solid backlog for the months to come. Thanks to our strong operational execution combined with strict cost management, our overall operational profitability has further improved in a challenging market environment, and we are confident of reaching our full year guidance as we expect continuing momentum in our strategic growth markets.”

Thomas Zickler
Chief Financial Officer

Within Flow Equipment all segments grew by double digits, leading to an increase of 14.0% (13.1% organically) in the division. Energy orders increased by 20.7% thanks to good market momentum and a low comparable base for the first half of last year. Industry orders also increased significantly by 12.7%, as did orders in the Water segment, which recorded order growth of 10.4% (8.2% organically). Order intake in the Services division grew by 2.7%, with organic growth of 2.4% being the main driver. A strong performance in the Americas and Asia-Pacific more than offset the drop in Europe, the Middle East and Africa (EMEA), where Russian orders collapsed. Chemtech’s order intake increased by 20.8%, with strong commercial momentum in all regions and continuously growing demand in the Renewables segment (12.0% of the division’s order intake). Overall, by the end of June 2022, order intake from the Russian market was 88% lower than one year ago.

Sulzer enters the second half of 2022 with a high order backlog of CHF 1’896.2 million (December 31, 2021: CHF 1’724.1 million). Negative currency translation effects totaled CHF 12.2 million.

Orders

millions of CHF	2022	2021 1)
Order intake from continuing operations	1’734.1	1’551.5
Order intake gross margin from continuing operations	32.8%	33.1%
Order backlog from continuing operations as of June 30 / December 31	1’896.2	1’724.1

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6 to the consolidated financial statements).

Stable sales in difficult environment

Sales increased by 0.9% compared with the first half of 2021, reaching CHF 1’516.8 million. Organic growth amounted to 0.6%, with acquisitions adding CHF 4.6 million and positive currency translation effects amounting to CHF 8.3 million.

The Flow Equipment division saw a decline in sales of 4.4% (5.1% organically). The decline in Energy (–10.9%) was anticipated, as the business entered the year with a low order backlog. Sales in Industry were 2.5% lower than in the first half of 2021, whereas Water sales grew by 0.6%, also helped by CHF 4.5 million from acquisitions (1.4% organic decline). Sales in Services grew strongly in the Americas, more than offsetting declines in the EMEA and Asia-Pacific regions. Overall, Services achieved year-on-year sales growth of 2.8% (2.4% organically). In Chemtech, sales were significantly up by 9.2% (9.8% organically, impacted by a divestiture in Brazil) thanks to strong execution and stringent efforts to overcome Covid-19-related lockdowns in China.

Gross profit margin impacted by Russia write-offs

Reported gross profit margin amounted to 28.4% (first half of 2021: 29.9%). Gross profit declined by CHF 15.7 million to CHF 430.9 million (2021: CHF 446.6 million), affected by Russian inventory write-offs. Excluding these one-off impacts (CHF 38.8 million), gross profit margins would have been significantly higher than in H1 2021.

Increased operational profitability at 9.0%

Operational profit from continuing operations amounted to CHF 135.8 million (excluding the impacts of write-offs) compared with CHF 127.6 million in the first half 2021, an increase of 4.9%. A better mix was further supported by savings from cost reduction measures in the Energy-related business and continued spending discipline.

Operational profitability from continuing operations reached 9.0% (first half of 2021: 8.5%) for Sulzer. While operational profitability in the Services division remained flat, both Flow Equipment and Chemtech improved year-on-year:

- Flow Equipment increased to 5.3% compared with 5.0% in the first half of 2021
- Services slightly decreased to 13.3% compared with 13.4% in the first half of 2021
- Chemtech improved profitability to 9.9% compared with 9.1% in the first half of 2021

Bridge from EBIT to operational profit (January 1 – June 30)

millions of CHF	2022	2021 [2]
EBIT from continuing operations	**–25.5**	**97.4**
Amortization	20.0	24.5
Impairments on tangible and intangible assets	36.4	0.3
Restructuring expenses	0.9	1.8
Non-operational items [1]	104.1	3.5
Operational profit from continuing operations	**135.8**	**127.6**

1) Non-operational items include significant acquisition-related expenses, gains and losses from the sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.
2) Comparative information has been re-presented due to discontinued operations (details are described in note 6 to the consolidated financial statements).

Negative EBIT due to Russia and Poland write-offs

Sulzer incurred one-off expenses of CHF 141.4 million, mainly consisting of write-offs in relation to the exit from Russia and closures in Poland, which accounted for CHF 132.5 million. Thereby EBIT amounted to CHF –25.5 million compared with CHF 97.4 million in the first half of 2021. Return on sales (ROS) was –1.7% compared with 6.5% by June 30, 2021. Excluding the Russian write-offs, ROS would have been above the H1 2021 level.

ROS and operational profitability (January 1 – June 30)

millions of CHF	2022	2021 [1)]
EBIT from continuing operations	–25.5	97.4
Sales from continuing operations	1’516.8	1’495.0
Return on sales (ROS) from continuing operations	**–1.7%**	**6.5%**
Operational profit from continuing operations	135.8	127.6
Sales from continuing operations	1’516.8	1’495.0
Operational profitability from continuing operations	**9.0%**	**8.5%**

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6 to the consolidated financial statements).

Financial result

Total financial income amounted to CHF 8.5 million, compared with financial expenses of CHF 9.4 million in the first half of 2021. Net interest expenses increased from CHF 7.2 million in the first half of 2021 to CHF 9.7 million for the same period in 2022. Fair value changes from hedging instruments for non-operating items had a positive impact of CHF 9.1 million (CHF –8.1 million as of June 30, 2021). Other currency exchange gains amounted to CHF 10.3 million compared with CHF 6.5 million in the first half of 2021, with negative foreign exchange movements on non-operating items being more than offset by the CHF 21.0 million positive impact from unhedged intercompany loans to Russia.

Effective tax rate influenced by write-offs

Income tax expenses comprise current and deferred tax, and amounted to CHF 30.5 million, compared with CHF 26.2 million for the six months ended June 30, 2022. The reported effective income tax rate amounts to 166.4%, compared with 24.4% for the six months ended June 30, 2021, and was significantly influenced by write-offs and other losses of business in Russia and Poland impacting income with no corresponding reduction in the projected tax charge — without these items the effective tax rate would have been similar to the six months to June 30, 2021. The June 30, 2022 tax charge also includes the write-off of a CHF 2.2 million income tax receivable and reversal of a deferred tax asset of CHF 5.4 million, both related to the Russian businesses.

One-off write-offs impacting net income

For the period to June 30, 2022, net income amounted to CHF –48.8 million compared with CHF 60.8 million in the same period of the previous year. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 74.4 million compared with CHF 83.9 million in the first half of 2021. Basic earnings per share decreased from CHF 1.78 for the period to June 30, 2021 to CHF –1.43 in the first six months of 2022.

Bridge from net income to core net income

millions of CHF	2022	2021 [1]
Net income from continuing operations	**–48.8**	**60.8**
Amortization	20.0	24.5
Impairments on tangible and intangible assets	36.4	0.3
Restructuring expenses	0.9	1.8
Non-operational items [2]	104.1	3.5
Tax impact on above items	–38.1	–7.0
Core net income from continuing operations [3]	**74.4**	**83.9**

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6 to the consolidated financial statements).
2) 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.
3) Core net income from continuing operations excludes adjustments for financial items.

Key balance sheet positions

If not otherwise indicated, balance sheet movements from the previous year are based on nominal figures.

Total assets as of June 30, 2022, amounted to CHF 4’760.0 million, a decrease of CHF 250.4 million from December 31, 2021. Non-current assets decreased by CHF 192.4 million to CHF 1’641.8 million, mainly because of lower defined benefit assets recorded for the pension funds in Switzerland (CHF 134.3 million). This decrease was triggered by the regular 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 24.8 million, arising from FX impacts and CHF 8.6 million due to the write-off in Russia), lower other intangible assets (CHF 23.5 million, of which CHF 6.7 million for impairments in Russia) and lower property, plant and equipment (CHF 12.2 million overall) were recorded. Current assets decreased by CHF 58.0 million including CHF 94.7 million attributable to write-offs in relation to the Russian operations. Excluding the CHF 41.5 million being reclassified as held for sale, cash and cash equivalents decreased by CHF 163.3 million mainly due to lower operational cash generation. Inventories saw a temporary increase (CHF 48.8 million net including Russia write-offs), as did contract assets (CHF 37.4 million net). Other current receivables and prepaid expenses increased by CHF 23.9 million due to general business phasing.

Total liabilities increased by CHF 30.0 million to CHF 3’761.1 million as of June 30, 2022. The main reasons were decreases in deferred income tax liabilities (CHF 24.5 million) and increases in contract liabilities (CHF 40.0 million) and trade accounts payables (CHF 21.8 million), a result of a difficult global supply environment. CHF 42.4 million of liabilities were reclassified as held for sale.

Equity decreased by CHF 280.5 million to CHF 998.8 million. This was mainly driven by lower net income (CHF 48.8 million loss), the remeasurement of defined benefit obligations net of deferred tax impacts (CHF 107.0 million) and the dividend distribution (CHF 119.8 million), partially offset by positive currency translation differences (CHF 13.7 million).

Free cash flow impacted by global supply constraints

Free cash flow amounted to CHF –78.2 million in the first half of 2022, a significant reduction compared to CHF 117.1 million reported in the same period last year, which still included the later spun-off APS division (CHF 33.6 million). Besides lower net income, this is attributable to higher working capital needs in a difficult global supply chain environment.

Bridge from cash flow from operating activities to free cash flow (FCF)

millions of CHF	2022	2021
Cash flow from operating activities	**–47.6**	**155.1**
– thereof discontinued operations	–	47.9
Purchase of intangible assets	–2.8	–4.0
Sale of intangible assets	0.0	0.0
Purchase of property, plant and equipment	–34.4	–38.9
Sale of property, plant and equipment	6.6	4.9
Free cash flow (FCF)	**–78.2**	**117.1**
– thereof discontinued operations	–	33.6

Cash flow from investing activities totaled CHF –28.3 million, compared with CHF 129.1 million in the first half of 2021. In the first half of 2022, cash flow from investing activities was mostly influenced by net CHF 27.8 million for purchases and sales of property, plant and equipment.

Cash flow from financing activities totaled CHF –113.4 million compared with CHF –149.7 million in the first half of 2021. In 2022, dividend payments 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 –163.3 million, including exchange gains on cash and cash equivalents of CHF 26.0 million.

Outlook

We expect continuing momentum in our markets despite prevailing macro and geopolitical uncertainties and increased volatility. We confirm our guidance for the full year; we expect organic order growth of 3 to 5% year on year, organic sales growth of 2 to 4% (excluding the impact of exiting the Russian market), and operational profitability to continue on its upwards trajectory to reach close to 10% of sales.

Abbreviations

EBIT: Earnings before interest and taxes
ROS: Return on sales
EBITDA: Earnings before interest, taxes, depreciation and amortization
FCF: Free cash flow
For the definition of the alternative performance measures, please refer to “supplementary information” in the Annual Report 2021

Business review

Strong order growth and rising profitability

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

The Flow Equipment division drove very strong order growth of 14.0% versus the first half of 2021. The Americas performed particularly well to achieve this result (+29.3%), with growth especially strong in Energy and Industry. Sales were impacted by the prevailing global supply chain difficulties, while the division was able to increase operational profitability. The division continues to grow its cleantech solutions and support the energy transition and is well-positioned to meet growing infrastructure demands for both water and industrial applications.

Supporting global energy security

The Flow Equipment division continues to pursue its strategy of capitalizing on growth opportunities with its expanding range of cleantech solutions and supporting the energy transition. In the first half of 2022, the division announced for example that it is supplying a selection of critical process pumps to Shell's major new biofuel facility in Rotterdam, the Netherlands. Expected to become one of the largest biofuel production sites in Europe, once operational the facility will produce 820'000 tonnes of low carbon fuels (LCF) per year, enough to eliminate 2'800'000 tonnes of CO_2 emissions annually. Sulzer will support critical processes at the facility, including the supply of boiler feedwater pumps (BFPs).

The division is also seeing renewed strong activity in the energy markets as post-pandemic demand and the Ukraine war take effect. Having rightsized capacity in its Energy business and significantly optimized costs, the division is ready to take on selective business from its customers and take advantage of the soaring demand, while also helping to ensure reliable energy supply at a time of increasing uncertainty and anticipated global shortages.

"Flow Equipment continues to deliver on its strategy, helped by our ability to seize opportunities in all the division's markets. The order conversion to sales was hampered by ongoing supply chain disruptions, which we expect to fade in the second half of the year. Despite the headwinds, we were able to once again increase our operational profitability."

Frederic Lalanne
CEO and Division President Flow Equipment

Key figures Flow Equipment (January 1 – June 30)

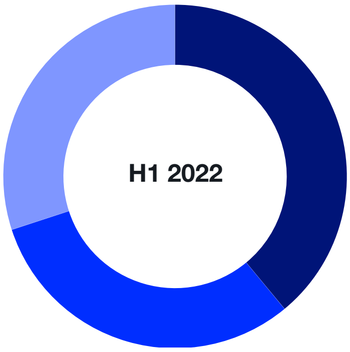
millions of CHF	2022	2021	Change in +/–%	+/–% adjusted [1)]	+/–% organic [2)]
Order intake	709.1	626.8	13.1	14.0	13.1
Order intake gross margin	31.1%	30.8%			
Order backlog as of June 30 / December 31	877.3	811.5	8.1		
Sales	631.9	663.9	–4.8	–4.4	–5.1
EBIT [3)]	3.7	14.8	–75.2		
Operational profit	33.7	33.2	1.4	1.0	2.9
Operational profitability	5.3%	5.0%			
Employees (number of full-time equivalents) as of June 30 / December 31	5’229	5’325	–1.8		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.
3) Impacted by write-offs related to Russia and Poland.

Continued strong order growth

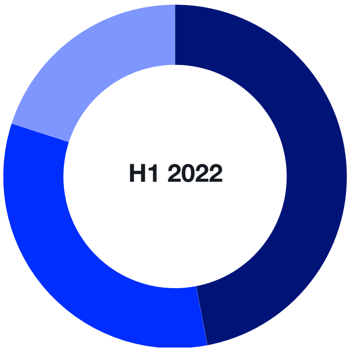
Orders continued the strong trajectory that was established in the first quarter of this year, despite a 90% drop in business in Russia. Orders for the first half of the year rose 14.0%, driven by increases in all business units. Energy and Industry saw particularly strong growth, buoyed by post-pandemic high demand and global energy security concerns.

Order intake by segment



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

Order intake by region



- 47% Europe, the Middle East and Africa
- 33% Americas
- 20% Asia-Pacific

Sales and profitability

Sales were impacted by significant supply chain difficulties, mainly related to ongoing lockdowns in China and exacerbated by the war in Ukraine, as well as some delayed projects. Sales in the Flow Equipment division therefore fell by –4.4%. Despite the decline in sales, profitability increased by 30 basis points to 5.3% as cost-efficiency and savings measures implemented last year continued to take effect.

Business review

Rising orders and sales, expanding Services footprint

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

In the first half of 2022, the Services division saw order intake rise by 2.7% compared with the same period last year, while sales increased 2.8%. Robust order activity in the Americas and Asia-Pacific regions was able to more than compensate for the decrease in business in Russia. The division continues to invest in its service offering to widen its geographical and technical reach, recently opening a brand-new service center in Vadodara, India.

Strengthening offering and geographical footprint

The division continues to pursue its strategy of strengthening and investing in its offerings. In the first half of the year, Sulzer expanded its footprint in India with a state-of-the-art new service center in Vadodara, Gujarat. The facility has widened the availability of high-quality services in India and is equipped with state-of-the-art machinery. The center will offer repairs, upgrades, retrofits and parts manufacturing for a wide range of equipment including pumps, steam turbines, compressors and expanders.

Pumps Services is also making progress in enhancing the availability of retrofit solutions in more locations. Retrofits are a key focus area for the Services division. They offer our customers the chance to make significant efficiency gains while minimizing waste and extending the life of their existing equipment. In addition, since the start of the year, around 500 pumps have been added to our BLUE BOX digital solution that allows our customers to optimize the life cycle costs of their equipment and maximize efficiency. Meanwhile, Turbo Services continues to leverage its skills and know-how in repairing and refurbishing steam turbines and compressors across all regions.

“In a world of increased uncertainty, thanks to our global footprint and strength in execution, we have once again delivered resilient results and were able to continue investing in the business.”

Tim Schulten
Division President Services

Key figures Services (January 1 – June 30)

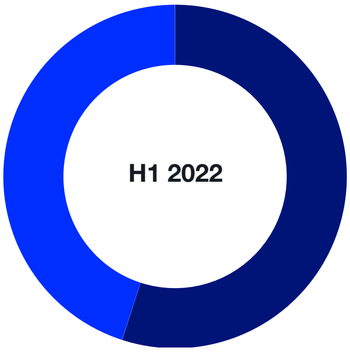
millions of CHF	2022	2021	Change in +/–%	+/–% adjusted [1)]	+/–% organic [2)]
Order intake	587.9	570.8	3.0	2.7	2.4
Order intake gross margin	37.3%	37.3%			
Order backlog as of June 30 / December 31	499.1	479.5	4.1		
Sales	542.8	525.5	3.3	2.8	2.4
EBIT [3)]	–19.0	66.3	n/a		
Operational profit	72.2	70.3	2.7	1.5	0.1
Operational profitability	13.3%	13.4%			
Employees (number of full-time equivalents) as of June 30 / December 31	4’446	4’571	–2.8		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.
3) Impacted by write-offs related to Russia and Poland.

Positive order development

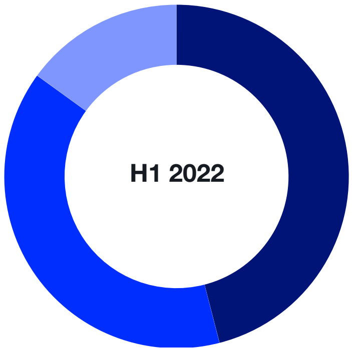
The Services division grew order intake by 2.7% year-on-year. The Services business was particularly impacted by Sulzer’s exit from the Russian market, but the team was able to more than compensate for the decrease through Services’ diversified business model and global footprint. The Americas and Asia-Pacific regions both delivered a solid performance with double-digit order growth.

Order intake by market segment



- 55% Pumps Services
- 45% Other Equipment

Order intake by region



- 46% Americas
- 39% Europe, the Middle East and Africa
- 15% Asia-Pacific

Rising sales

Sales in the Services division grew by 2.8% compared with the first half of 2021. Strong business activity in the Americas region compensated here as well for reduced sales in Europe, the Middle East and Africa. Operational profitability remained flat, despite inflationary pressures and the impact of Russia.

Business review

Strong order and sales growth across all regions and higher profitability

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

The Chemtech division recorded very strong order growth of 20.8% in the first half of 2022. All regions contributed to the growth, particularly EMEA and the Americas. Sales in the division rose by a significant 9.2%, despite local lockdowns in China, and profitability increased by 80 basis points to 9.9%. Chemtech is seeing high demand for its products in all segments, particularly in the Renewables segment where the division's strategy to drive growth continues to gain momentum.

High demand for Renewables offering

The division continues to pursue its strategy of driving growth in the Renewables segment and is seeing high demand across its entire offering — biobased chemicals, biobased polymers, polymer recycling and decarbonization. Together these businesses represented 12.0% of the overall Chemtech order intake in the first half of the year, with this figure expected to rise in the mid to long term. The division secured an abundance of small to mid-size projects across all of its Renewables businesses, showing that the strategy is bearing fruit, with larger projects also in advanced stages of discussion.

For example, the Chemtech division is enabling the creation of Indaver's first polystyrene and polyolefin plastic recycling plant, which is being constructed in Antwerp, Belgium. The Plastic2chemicals (P2C) facility will leverage Sulzer's advanced processing technologies to prevent end-of-life plastic from entering the environment and produce 26'000 tonnes of high-grade, widely used chemicals every year. The project is a key milestone in the division's strategy to expand its Renewables businesses.

"We are seeing strong growth in all our regions, with high demand for our products across all segments. Our strategy to develop our Renewables business is gaining further momentum with an increasingly diverse range of small, mid-sized and larger projects in the pipeline for our entire Renewables offering."

Torsten Wintergerste
Division President Chemtech

Key figures Chemtech (January 1 – June 30)

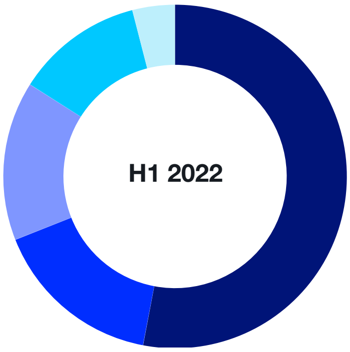
millions of CHF	2022	2021	Change in +/–%	+/–% adjusted [1]	+/–% organic [2]
Order intake	437.1	353.9	23.5	20.8	20.9
Order intake gross margin	29.6%	30.3%			
Order backlog as of June 30 / December 31	519.7	433.2	20.0		
Sales	342.0	305.6	11.9	9.2	9.8
EBIT [3]	–5.3	21.1	n/a		
Operational profit	33.8	27.7	22.2	18.4	18.6
Operational profitability	9.9%	9.1%			
Employees (number of full-time equivalents) as of June 30 / December 31	3’048	3’734	–18.4		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.
3) Impacted by write-offs related to Russia.

Strong order growth

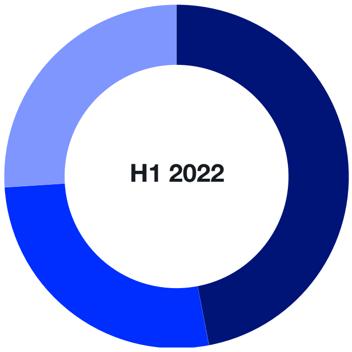
Orders grew 20.8% in the first half of the year. The increase was supported by all regions and market segments. Regionally, the Americas and Europe, the Middle East and Africa performed exceptionally well, demonstrating high double-digit growth rates. The Asia-Pacific region was also able to achieve solid order growth, despite local lockdowns in China.

Order intake by market segment



- 53% Chemicals
- 16% Gas and Refining
- 15% Services
- 12% Renewables
- 4% Water

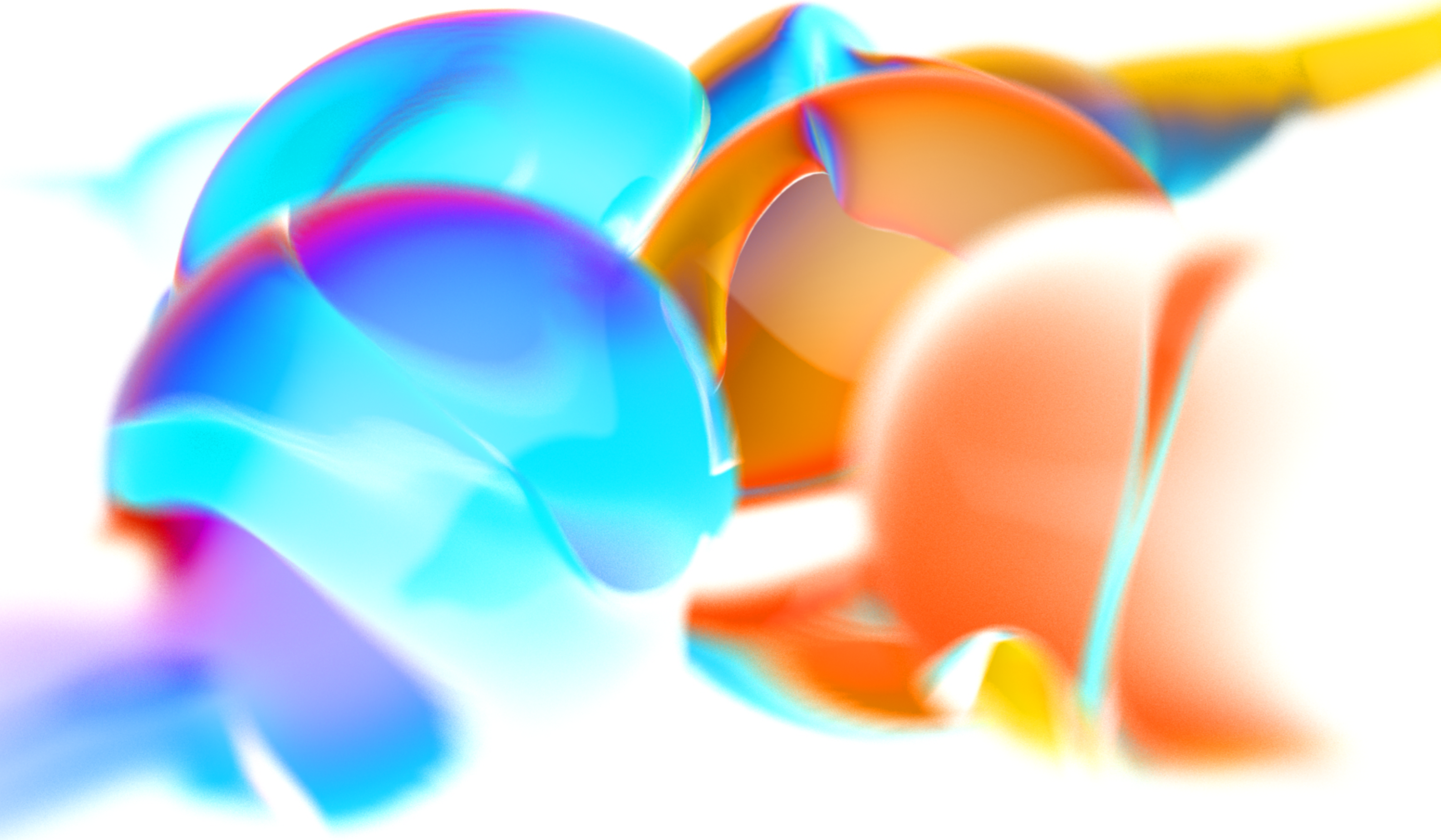
Order intake by region



- 47% Asia-Pacific
- 27% Europe, the Middle East and Africa
- 26% Americas

Rising sales and profitability

Sales in the first half of the year grew by 9.2%, with all regions contributing to the growth despite global supply chain difficulties and local lockdowns temporarily halting activities at our factory in China. Operational profitability increased by 80 basis points to 9.9% thanks to a trend towards higher-value projects, efficiency gains and continued discipline in execution.



Financial reporting

Consolidated income statement

January 1 – June 30

millions of CHF	Notes	2022	2021 [1]
Continuing operations			
Sales from continuing operations	**3**	1’516.8	1’495.0
Cost of goods sold		–1’085.9	–1’048.4
Gross profit from continuing operations		**430.9**	**446.6**
Selling and distribution expenses		–158.4	–153.4
General and administrative expenses		–188.1	–172.3
Research and development expenses		–32.4	–30.5
Net impairment loss on contract assets and trade accounts receivable	**2**	–36.8	–2.6
Other operating income / (expenses), net	**8**	–40.6	9.6
Operating income (EBIT) from continuing operations		**–25.5**	**97.4**
Interest and securities income	**9**	3.5	5.1
Interest expenses	**9**	–13.2	–12.4
Other financial income / (expenses), net	**9**	18.3	–2.1
Share of gains / (losses) of associates		–1.4	–1.1
Income before income tax expenses from continuing operations		**–18.3**	**86.9**
Income tax expenses	**10**	–30.5	–26.2
Net income from continuing operations		**–48.8**	**60.8**
Net income from discontinued operations, net of tax	**6**	–	25.6
Net income		**–48.8**	**86.3**
– thereof attributable to shareholders of Sulzer Ltd		–48.3	85.7
– thereof attributable to non-controlling interests		–0.5	0.7
Earnings per share (in CHF)			
Basic earnings per share		–1.43	2.53
Diluted earnings per share		–1.41	2.51
Earnings per share from continuing operations (in CHF)			
Basic earnings per share from continuing operations		–1.43	1.78
Diluted earnings per share from continuing operations		–1.41	1.76

Due to rounding, numbers presented may not add up to the totals provided.

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6). 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 – June 30

millions of CHF	Notes	2022	2021
Net income		**–48.8**	**86.3**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		–2.8	–4.1
Currency translation differences		13.7	75.1
Total of items that may be reclassified subsequently to the income statement		**10.9**	**71.0**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit plans, net of tax	2	–107.0	55.6
Equity investments at FVOCI – net change in fair value		–12.0	–
Total of items that will not be reclassified to the income statement		**–119.0**	**55.6**
Total other comprehensive income		**–108.1**	**126.6**
Total comprehensive income for the period		**–156.9**	**212.9**
- thereof attributable to shareholders of Sulzer Ltd		–156.6	211.9
- thereof attributable to non-controlling interests		–0.3	1.1

Due to rounding, numbers presented may not add up to the totals provided.

Consolidated balance sheet

millions of CHF	Notes	June 30, 2022	December 31, 2021	June 30, 2021 [1]
Non-current assets				
Goodwill		702.5	727.3	1’022.4
Other intangible assets		253.0	276.5	461.1
Property, plant and equipment		381.8	394.0	565.8
Lease assets		77.8	89.2	131.5
Associates		24.2	25.5	26.8
Other non-current financial assets		15.1	18.0	14.7
Defined benefit assets	2	–	134.3	142.4
Non-current receivables		4.4	5.3	4.6
Deferred income tax assets		182.9	164.2	166.0
Total non-current assets		**1’641.8**	**1’834.2**	**2’535.3**
Current assets				
Inventories		524.4	475.6	582.2
Current income tax receivables		27.2	26.7	28.1
Advance payments to suppliers		64.3	64.7	76.4
Contract assets		446.7	409.3	379.3
Trade accounts receivable		556.1	549.2	575.0
Other current receivables and prepaid expenses		142.6	118.7	134.6
Current financial assets		13.8	26.7	2.9
Cash and cash equivalents		1’300.6	1’505.4	1’292.5
Total current assets without disposal group		**3’075.7**	**3’176.2**	**3’070.9**
Assets of disposal group held for sale	7	42.4	–	–
Total current assets		**3’118.2**	**3’176.2**	**3’070.9**
Total assets		**4’760.0**	**5’010.4**	**5’606.1**
Equity				
Share capital		0.3	0.3	0.3
Reserves		994.4	1’273.5	1’462.5
Equity attributable to shareholders of Sulzer Ltd		**994.7**	**1’273.8**	**1’462.8**
Non-controlling interests		4.1	5.5	6.4
Total equity	11	**998.8**	**1’279.3**	**1’469.3**
Non-current liabilities				
Non-current borrowings	12	1’164.7	1’164.6	1’489.6
Non-current lease liabilities		54.6	64.5	97.8
Deferred income tax liabilities		59.6	84.1	127.3
Non-current income tax liabilities		2.2	2.2	4.6
Defined benefit obligations		168.3	180.0	233.8
Non-current provisions	13	67.3	68.0	66.4
Other non-current liabilities		1.3	5.4	7.0
Total non-current liabilities		**1’518.0**	**1’568.8**	**2’026.6**
Current liabilities				
Current borrowings	12	341.7	345.5	231.8
Current lease liabilities		22.8	24.3	33.0
Current income tax liabilities		26.1	40.2	11.1
Current provisions	13	158.7	167.8	184.1
Contract liabilities		364.5	324.5	346.4
Trade accounts payable		453.6	431.8	478.2
Other current and accrued liabilities	14	833.3	828.1	825.7
Total current liabilities without disposal group		**2’200.7**	**2’162.3**	**2’110.2**
Liabilities of disposal group held for sale	7	42.4	–	–
Total current liabilities		**2’243.2**	**2’162.3**	**2’110.2**
Total liabilities		**3’761.1**	**3’731.1**	**4’136.9**
Total equity and liabilities		**4’760.0**	**5’010.4**	**5’606.1**

Due to rounding, numbers presented may not add up to the totals provided.

1) The balance sheet as of June 30, 2021, includes the Applicator Systems division (later renamed medmix) classified as a discontinued operation. The spin-off was completed on September 20, 2021, (see note 6). Defined benefit assets were re-presented in the balance sheet as of June 30, 2021, defined benefit assets of CHF 142.4 million previously presented in other current receivables and prepaid expenses are presented in defined benefit assets. The balance sheet was also adjusted for measurement period adjustments related to the finalization of the purchase price accounting of acquisitions in 2020 (see note 4).

Consolidated statement of changes in equity

January 1 – June 30

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	**Total**	Non-controlling interests	**Total equity**
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			85.7				85.7	0.7	86.3
- Cash flow hedges, net of tax		–	–	–	–4.1	–	–4.1	–	–4.1
- Remeasurements of defined benefit plans, net of tax		–	55.6	–	–	–	55.6	–	55.6
- Currency translation differences		–	–	–	–	74.7	74.7	0.4	75.1
Other comprehensive income		–	55.6	–	–4.1	74.7	126.2	0.4	126.6
Total comprehensive income for the period		**–**	**141.3**	**–**	**–4.1**	**74.7**	**211.9**	**1.1**	**212.9**
Transactions with owners of the company:									
Acquisition of non-controlling interests without a change of control		–	–10.6	–	–	–1.4	–11.9	–5.4	–17.3
Transaction costs	11	–	–0.7	–	–	–	–0.7	–	–0.7
Allocation of treasury shares to share plan participants		–	–8.5	8.5	–	–	–	–	–
Purchase of treasury shares		–	–	–14.5	–	–	–14.5	–	–14.5
Share-based payments		–	9.2	–	–	–	9.2	–	9.2
Dividends	11	–	–135.4	–	–	–	–135.4	–2.1	–137.5
Equity as of June 30, 2021		**0.3**	**2’079.1**	**–44.3**	**1.7**	**–574.1**	**1’462.8**	**6.4**	**1’469.3**
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			–48.3				–48.3	–0.5	–48.8
- Cash flow hedges, net of tax		–	–	–	–2.8	–	–2.8	–	–2.8
- Remeasurements of defined benefit plans, net of tax	2	–	–107.0	–	–	–	–107.0	–	–107.0
- Equity investments at FVOCI – net change in fair value		–	–12.0	–	–	–	–12.0	–	–12.0
- Currency translation differences		–	–	–	–	13.5	13.5	0.2	13.7
Other comprehensive income		–	–119.0	–	–2.8	13.5	–108.3	0.2	–108.1
Total comprehensive income for the period		**–**	**–167.3**	**–**	**–2.8**	**13.5**	**–156.6**	**–0.3**	**–156.9**
Transactions with owners of the company:									
Contribution from medmix	11	–	0.4	–	–	–	0.4		0.4
Transaction costs	11	–	–0.7	–	–	–	–0.7		–0.7
Allocation of treasury shares to share plan participants		–	–27.0	27.0	–	–	–		–
Purchase of treasury shares		–	–	–10.8	–	–	–10.8		–10.8
Share-based payments		–	7.2	–	–	–	7.2		7.2
Dividends	11	–	–118.7	–	–	–	–118.7	–1.1	–119.8
Equity as of June 30, 2022		**0.3**	**1’661.8**	**–34.9**	**0.6**	**–633.1**	**994.7**	**4.1**	**998.8**

Due to rounding, numbers presented may not add up to the totals provided.

Consolidated statement of cash flows

January 1 – June 30

millions of CHF	Notes	2022	2021
Cash and cash equivalents as of January 1		**1’505.4**	**1’123.2**
Net income		–48.8	86.3
Interest and securities income	**9**	–3.5	–1.7
Interest expenses	**9**	13.2	13.1
Income tax expenses	**10**	30.5	27.9
Depreciation, amortization and impairments		95.2	90.8
Income from disposals of tangible and intangible assets	**8**	–4.7	–1.0
Changes in inventories		–41.8	–38.6
Changes in advance payments to suppliers		–0.5	–16.7
Changes in contract assets		–26.2	–36.2
Changes in trade accounts receivable		–28.9	52.8
Changes in contract liabilities		64.5	29.8
Changes in trade accounts payable		29.4	–8.9
Changes in employee benefit plans		–4.1	–5.8
Changes in provisions		–8.8	–4.0
Changes in other net current assets		–43.2	20.3
Other non-cash items		–14.1	–6.3
Interest received		3.3	1.7
Interest paid		–4.8	–4.0
Income tax paid		–54.1	–44.3
Total cash flow from operating activities		**–47.6**	**155.1**
– thereof discontinued operations		–	47.9
Purchase of intangible assets		–2.8	–4.0
Sale of intangible assets		0.0	0.0
Purchase of property, plant and equipment		–34.4	–38.9
Sale of property, plant and equipment		6.6	4.9
Acquisitions of subsidiaries, net of cash acquired	**4**	–4.2	–123.9
Divestitures of subsidiaries, net of cash derecognized	**4**	3.1	0.4
Acquisitions of associates		–0.0	–6.9
Dividends from associates		0.1	0.5
Purchase of other non-current financial assets		–0.4	–5.7
Repayments of other non-current financial assets		2.9	0.2
Purchase of current financial assets		–0.0	–0.0
Repayments of current financial assets		0.7	302.5
Total cash flow from investing activities		**–28.3**	**129.1**
– thereof discontinued operations		–	16.1

Dividends paid to shareholders of Sulzer Ltd	**11**	–80.6	–91.9
Dividends paid to non-controlling interests in subsidiaries		–1.1	–2.1
Purchase of treasury shares		–10.8	–14.5
Payments of lease liabilities		–17.1	–20.7
Acquisition of non-controlling interests		–	–17.3
Proceeds from non-current borrowings	**12**	–	0.0
Repayments of non-current borrowings	**12**	–	–2.8
Proceeds from current borrowings	**12**	272.3	27.8
Repayments of current borrowings	**12**	–276.0	–28.4
Total cash flow from financing activities		**–113.4**	**–149.7**
– thereof discontinued operations		–	7.3
Exchange gains / (losses) on cash and cash equivalents		26.0	34.9
Net change in cash and cash equivalents		**–163.3**	**169.3**
Cash and cash equivalents as of June 30		**1’342.0**	**1’292.5**
Cash and cash equivalents classified as held for sale	**7**	–41.5	–
Cash and cash equivalents as of June 30 as per balance sheet		**1’300.6**	**1’292.5**

Due to rounding, numbers presented may not add up to the totals provided.

For the calculation of free cash flow (FCF), please refer to “Financial review”.

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 unaudited consolidated interim financial statements for the six months ended June 30, 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 application technologies for fluids of all types. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 12’900 people. The company serves clients through a network of 180 production and service sites around the world. Sulzer Ltd is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

The interim financial statements have been prepared in accordance with the requirements of IAS 34 “Interim financial reporting.” Details of the group’s accounting policies are described in note 15.

2 Significant events and transactions during the reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting 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 LLC, Sulzer Turbo Services Russia LLC and Sulzer Pumps Russia LLC. This decision impacts 322 employees, along with CHF 87.1 million of revenues, representing 2.7% of total sales in 2021. An active program to find a buyer or buyers for the entities is ongoing, with discussions taking place with interested parties, as a result of which the assets and liabilities of these entities have been classified as held for sale for the period ended June 30, 2022. The Group’s total net impairment loss on contract assets and trade accounts receivable of CHF 36.8 million includes impairments for contract assets and receivables of CHF 37.9 million attributable to the business in Russia. Write-downs of CHF 88.9 million were recorded on other assets of the Russian business upon the classification as held for sale, and deferred tax assets of CHF 5.4 million were deemed irrecoverable. 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 7, note 8 and note 9.
- 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 decision impacts 192 employees, along with CHF 21.5 million of revenues representing 0.6% of total sales in 2021. 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 1.6 million. Further details are provided in note 4 and note 8.
- Remeasurements of defined benefit plans, net of tax, recorded in other comprehensive income for the interim period amount to CHF –107.0 million. Defined benefit assets amounting to CHF 134.3 million as of December 31, 2021 reduced to zero at the end of the interim period based on a remeasurement of underlying defined benefit plans in Switzerland. The decrease is primarily driven by a change in the effect of the asset ceiling as a result of an increase in the discount rate and is reflected in other comprehensive income, net of the associated tax impact. Reference is made to note 5, Critical accounting estimates and judgements in the consolidated financial statements for the year ended December 31, 2021, documenting assumptions to be used when determining defined benefit assets/obligations.

For a detailed discussion about the group’s performance and financial position please refer to the Business review.

3 Segment information

Segment information by divisions

	Flow Equipment		Services		Chemtech	
millions of CHF	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Order intake from continuing operations [1]	**709.1**	**626.8**	**587.9**	**570.8**	**437.1**	**353.9**
Nominal growth	13.1%	–15.8%	3.0%	–7.5%	23.5%	10.8%
Currency-adjusted growth	14.0%	–15.3%	2.7%	–5.6%	20.8%	12.8%
Organic growth [2]	13.1%	–20.2%	2.4%	–6.0%	20.9%	12.8%
Order backlog as of June 30 / December 31	877.3	811.5	499.1	479.5	519.7	433.2
Sales recognized at a point in time	415.0	480.7	387.0	441.5	159.9	175.6
Sales recognized over time	216.8	183.2	155.8	84.0	182.1	130.0
Sales from continuing operations [3]	**631.9**	**663.9**	**542.8**	**525.5**	**342.0**	**305.6**
Nominal growth	–4.8%	7.7%	3.3%	–0.5%	11.9%	6.2%
Currency-adjusted growth	–4.4%	8.8%	2.8%	1.3%	9.2%	7.7%
Organic growth [2]	–5.1%	4.4%	2.4%	0.9%	9.8%	7.7%
Operational profit from continuing operations	**33.7**	**33.2**	**72.2**	**70.3**	**33.8**	**27.7**
Operational profitability from continuing operations	**5.3%**	**5.0%**	**13.3%**	**13.4%**	**9.9%**	**9.1%**
Restructuring expenses	–0.4	–0.7	–0.4	–0.7	–0.0	–0.6
Amortization	–13.7	–18.7	–2.5	–2.3	–3.4	–3.2
Impairments on tangible and intangible assets	–2.8	–	–21.4	–0.3	–12.2	–
Non-operational items	–13.2	1.0	–67.0	–0.7	–23.4	–2.8
EBIT from continuing operations	**3.7**	**14.8**	**–19.0**	**66.3**	**–5.3**	**21.1**
Depreciation	–15.6	–16.5	–14.7	–15.6	–7.1	–6.5
Operating assets	1’574.7	1’573.9	977.1	939.5	561.2	552.8
Unallocated assets	–	–	–	–	–	–
Total assets as of June 30 / December 31	**1’574.7**	**1’573.9**	**977.1**	**939.5**	**561.2**	**552.8**
Operating liabilities	733.4	745.0	426.9	403.3	423.0	404.0
Unallocated liabilities	–	–	–	–	–	–
Total liabilities as of June 30 / December 31	**733.4**	**745.0**	**426.9**	**403.3**	**423.0**	**404.0**
Operating net assets	841.3	829.0	550.2	536.2	138.2	148.7
Unallocated net assets	–	–	–	–	–	–
Total net assets as of June 30 / December 31	**841.3**	**829.0**	**550.2**	**536.2**	**138.2**	**148.7**
Capital expenditure (incl. lease assets)	–17.1	–15.1	–23.0	–33.0	–8.4	–9.3
Employees (number of full-time equivalents) as of June 30 / December 31	5’229	5’325	4’446	4’571	3’048	3’734

1) Order intake from external customers.
2) Adjusted for currency and acquisition effects.
3) Sales from external customers.

Segment information by divisions

	Total divisions		Others [5]		Total Sulzer	
millions of CHF	**2022**	**2021 [4]**	**2022**	**2021 [4]**	**2022**	**2021 [4]**
Order intake from continuing operations [1]	**1'734.1**	**1'551.5**	**–**	**–**	**1'734.1**	**1'551.5**
Nominal growth	11.8%	–7.7%	–	–	11.8%	–7.7%
Currency-adjusted growth	11.4%	–6.4%	–	–	11.4%	–6.4%
Organic growth [2]	10.9%	–8.7%	–	–	10.9%	–8.7%
Order backlog as of June 30 / December 31	1'896.2	1'724.1	–	–	1'896.2	1'724.1
Sales recognized at a point in time	962.0	1'097.7	–	–	962.0	1'097.7
Sales recognized over time	554.7	397.3	–	–	554.7	397.3
Sales from continuing operations [3]	**1'516.8**	**1'495.0**	**–**	**–**	**1'516.8**	**1'495.0**
Nominal growth	1.5%	4.4%	–	–	1.5%	4.4%
Currency-adjusted growth	0.9%	5.8%	–	–	0.9%	5.8%
Organic growth [2]	0.6%	3.8%	–	–	0.6%	3.8%
Operational profit from continuing operations	**139.7**	**131.2**	**–3.9**	**–3.6**	**135.8**	**127.6**
Operational profitability from continuing operations	**9.2%**	**8.8%**	**n/a**	**n/a**	**9.0%**	**8.5%**
Restructuring expenses	–0.8	–1.9	–0.1	0.1	–0.9	–1.8
Amortization	–19.6	–24.2	–0.4	–0.3	–20.0	–24.5
Impairments on tangible and intangible assets	–36.4	–0.3	–	–	–36.4	–0.3
Non-operational items	–103.6	–2.4	–0.5	–1.0	–104.1	–3.5
EBIT from continuing operations	**–20.6**	**102.3**	**–4.9**	**–4.9**	**–25.5**	**97.4**
Depreciation	–37.3	–38.6	–1.6	–1.7	–38.8	–40.3
Operating assets	3'112.9	3'066.2	1.2	180.3	3'114.2	3'246.5
Unallocated assets	–	–	1'645.8	1'763.9	1'645.8	1'763.9
Total assets as of June 30 / December 31	**3'112.9**	**3'066.2**	**1'647.1**	**1'944.3**	**4'760.0**	**5'010.4**
Operating liabilities	1'583.2	1'552.3	29.0	196.8	1'612.2	1'749.1
Unallocated liabilities	–	–	2'149.0	1'982.0	2'149.0	1'982.0
Total liabilities as of June 30 / December 31	**1'583.2**	**1'552.3**	**2'177.9**	**2'178.8**	**3'761.1**	**3'731.1**
Operating net assets	1'529.7	1'513.9	–27.7	–16.4	1'502.0	1'497.5
Unallocated net assets	–	–	–503.2	–218.1	–503.2	–218.1
Total net assets as of June 30 / December 31	**1'529.7**	**1'513.9**	**–530.9**	**–234.6**	**998.8**	**1'279.3**
Capital expenditure (incl. lease assets)	–48.5	–57.4	–1.8	–0.8	–50.2	–58.2
Employees (number of full-time equivalents) as of June 30 / December 31	12'722	13'631	192	185	12'914	13'816

1) Order intake from external customers.
2) Adjusted for currency and acquisition effects.
3) Sales from external customers.
4) Comparative information covering the period January 1 to June 30, 2021, has been re-presented due to discontinued operations (details are described in note 6).
5) 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, please refer to "supplementary information" in the Sulzer Annual Report 2021.

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 division) 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 biobased 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 EBIT.

Segment information by region

The allocation of sales from external customers is based on the ship-to location defined by Sulzer's customer, which does not necessarily correspond with the location of the end customer.

Sales by region

				2022
millions of CHF	Flow Equipment	Services	Chemtech	**Total Sulzer**
Europe, the Middle East and Africa	**303.5**	**208.0**	**64.0**	**575.5**
– thereof United Kingdom	9.5	58.3	5.2	73.1
– thereof Germany	47.3	20.6	5.0	72.9
– thereof Saudi Arabia	32.4	8.6	6.6	47.5
– thereof Russia	26.6	8.7	6.3	41.6
– thereof France	13.5	15.3	4.4	33.2
Americas	**205.0**	**265.7**	**101.1**	**571.7**
– thereof USA	103.4	195.3	69.6	368.3
Asia-Pacific	**123.4**	**69.2**	**177.0**	**369.5**
– thereof China	90.6	13.3	119.9	223.8
Total	**631.9**	**542.8**	**342.0**	**1'516.8**

				2021
millions of CHF	Flow Equipment	Services	Chemtech	**Total Sulzer** 1)
Europe, the Middle East and Africa	**313.8**	**221.5**	**67.1**	**602.4**
– thereof Saudi Arabia	56.1	11.7	7.2	75.0
– thereof Germany	27.4	25.8	14.7	67.8
– thereof United Kingdom	11.6	53.8	2.4	67.7
– thereof Russia	15.6	13.5	6.6	35.7
– thereof France	13.7	13.6	4.5	31.9
Americas	**194.8**	**232.2**	**65.5**	**492.5**
– thereof USA	112.6	182.2	41.5	336.2
Asia-Pacific	**155.3**	**71.8**	**172.9**	**400.1**
– thereof China	115.3	11.4	127.5	254.2
Total	**663.9**	**525.5**	**305.6**	**1'495.0**

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6).

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	216.4	239.9
Water	230.6	233.6
Industry	184.9	190.5
Total Flow Equipment	**631.9**	**663.9**

Sales by market segment — Services

millions of CHF	2022	2021
Pumps Services	288.7	283.7
Other Equipment	254.1	241.9
Total Services	**542.8**	**525.5**

Sales by market segment — Chemtech

millions of CHF	2022	2021
Chemicals	184.6	178.4
Gas and Refining	66.6	57.8
Services	55.9	47.9
Renewables	25.7	14.3
Water	9.4	7.2
Total Chemtech	**342.0**	**305.6**

4 Acquisitions and disposals of subsidiaries

Cash flow from acquisitions of subsidiaries

millions of CHF	2022	2021
Cash consideration paid	–	–138.3
Contingent consideration paid	–4.2	–0.5
Cash acquired	–	15.1
Total cash flow from acquisitions, net of cash acquired	**–4.2**	**–123.9**

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 June 30 / December 31	**2.0**	**5.9**
– thereof non-current	–	1.9
– thereof current	2.0	4.0

Balance sheet adjustment as of June 30, 2021

In the second half of 2021, the group re-assessed the accounting treatment of the contingent consideration of the Haselmeier acquisition based on facts and circumstances already existing at the acquisition date on October 1, 2020. Consequently, the group adjusted goodwill and other current and accrued liabilities by CHF 2.2 million as of June 30, 2021.

millions of CHF	As reported 2021	Measurement period adjustment	Adjusted 2021
Goodwill	1’020.3	2.2	1’022.4
Total assets	**5’603.9**	**2.2**	**5’606.1**
Other current and accrued liabilities	823.5	2.2	825.7
Total equity and liabilities	**5’603.9**	**2.2**	**5’606.1**

Disposals of subsidiaries

In the first half year 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 deconsolidation of two Polish subsidiaries resulted in a loss of CHF 6.2 million, including a loss of CHF 1.2 million from the reclassification of currency translation differences into the income statement, the investment retained is valued at zero. The losses are recorded in other operating expenses (see note 8).

millions of CHF	2022	2021
Cash consideration received	7.8	0.4
Cash disposed	–4.7	–
Total cash flow from divestitures, net of cash derecognized	**3.1**	**0.4**

5 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as of June 30, 2022, and December 31, 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. These may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates.

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

Contingent considerations are linked to the fulfillment of certain parameters, mainly related to earnout clauses and technology transfer. For more information please refer to note 4.

Fair value table

											June 30, 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)			9.0	–			9.0	0.3	–	8.7	9.0
Derivative assets – current		17.2					17.2	–	17.2	–	17.2
Current financial assets (at fair value)			1.9	10.5			12.4	12.4	–	–	12.4
Total financial assets measured at fair value		**17.2**	**10.9**	**10.5**	**–**	**–**	**38.5**	**12.7**	**17.2**	**8.7**	**38.5**
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)					6.1		6.1				
Non-current receivables (excluding non-current derivative assets)					4.4		4.4				
Trade accounts receivable					556.1		556.1				
Other current receivables (excluding current derivative assets and other taxes)					20.8		20.8				
Current financial assets (at amortized cost)					1.5		1.5				
Cash and cash equivalents					1’300.6		1’300.6				
Total financial assets not measured at fair value		**–**	**–**	**–**	**1’889.4**	**–**	**1’889.4**				
Financial liabilities measured at fair value											
Derivative liabilities – current		13.8					13.8	–	13.8	–	13.8
Contingent considerations	**4**		2.0				2.0	–	–	2.0	2.0
Total financial liabilities measured at fair value		**13.8**	**2.0**	**–**	**–**	**–**	**15.8**	**–**	**13.8**	**2.0**	**15.8**
Financial liabilities not measured at fair value											
Outstanding non-current bonds	**12**					1’164.0	1’164.0	1’109.9	–	–	1’109.9
Other non-current borrowings						0.7	0.7				
Other non-current liabilities (excluding non-current derivative liabilities)						1.3	1.3				
Outstanding current bonds	**12**					325.0	325.0	324.9	–	–	324.9
Other current borrowings and bank loans						16.7	16.7				
Trade accounts payable						453.6	453.6				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)						376.2	376.2				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**–**	**2’337.4**	**2’337.4**				

Fair value table

											December 31, 2021
		Carrying amount						Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at fair value through other comprehensive income – equity instruments	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value											
Other non-current financial assets (at fair value)			8.9	–			8.9	0.3	–	8.6	8.9
Derivative assets – non-current		0.7					0.7	–	0.7	–	0.7
Derivative assets – current		7.0					7.0	–	7.0	–	7.0
Current financial assets (at fair value)			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)					9.1		9.1				
Non-current receivables (excluding non-current derivative assets)					4.6		4.6				
Trade accounts receivable					549.2		549.2				
Other current receivables (excluding current derivative assets and other taxes)					18.3		18.3				
Current financial assets (at amortized cost)					2.2		2.2				
Cash and cash equivalents					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		0.8					0.8	–	0.8	–	0.8
Derivative liabilities – current		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	**12**					1’163.8	1’163.8	1’189.5	–	–	1’189.5
Other non-current borrowings						0.8	0.8				
Other non-current liabilities (excluding non-current derivative liabilities)						4.6	4.6				
Outstanding current bonds	**12**					325.0	325.0	325.9	–	–	325.9
Other current borrowings and bank loans						20.5	20.5				
Trade accounts payable						431.8	431.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)						350.9	350.9				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**–**	**2’297.3**	**2’297.3**				

6 Discontinued operations

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

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

The Applicator Systems division developed and delivered 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

January 1 – June 30

millions of CHF	2022	2021
Sales	–	228.3
Cost of goods sold	–	–136.5
Gross profit from discontinued operations	**–**	**91.8**
Selling and distribution expenses	–	–19.6
General and administrative expenses	–	–21.9
Research and development expenses	–	–12.2
Net impairment loss on contract assets and trade accounts receivable	–	–0.1
Other operating income / (expenses), net	–	–6.7
Operating income (EBIT) from discontinued operations	**–**	**31.3**
Interest and securities income	–	0.0
Interest expenses	–	–4.1
Other financial income / (expenses), net	–	0.1
Income before income tax expenses from discontinued operations	**–**	**27.3**
Income tax expenses	–	–1.7
Net income from discontinued operations, net of tax	**–**	**25.6**
Earnings per share discontinued operations (in CHF)		
Basic earnings per share, discontinued operations	–	0.76
Diluted earnings per share, discontinued operations	–	0.75

Segment information of discontinued operations

January 1 – June 30

millions of CHF	2022	2021
Order intake [1]	**–**	**268.9**
Nominal growth	–	67.9%
Currency-adjusted growth	–	69.4%
Organic growth [2]	–	53.3%
Order backlog as of June 30	–	124.8
Sales recognized at a point in time	–	226.5
Sales recognized over time	–	1.8
Sales [3]	**–**	**228.3**
Nominal growth	–	37.5%
Currency-adjusted growth	–	38.4%
Organic growth [2]	–	25.8%
Operational profit	**–**	**44.0**
Operational profitability	**–**	**19.3%**
Restructuring expenses	–	–0.2
Amortization	–	–11.2
Impairments on tangible and intangible assets	–	–0.6
Non-operational items	–	–0.8
Operating income (EBIT)	**–**	**31.3**
Depreciation	–	–13.8
Capital expenditure (incl. lease assets)	–	–18.1

1) Order intake from external customers.
2) Adjusted for currency and acquisition effects.
3) Sales from external customers.

Re-presented consolidated income statement 2021

January 1 – June 30

millions of CHF	2021 as originally presented [1]	Adjustments	2021 adjusted
Sales	1’723.3	–228.3	1’495.0
Cost of goods sold	–1’184.9	136.5	–1’048.4
Gross profit	**538.5**	**–91.8**	**446.6**
Selling and distribution expenses	–173.0	19.6	–153.4
General and administrative expenses	–194.2	21.9	–172.3
Research and development expenses	–42.7	12.2	–30.5
Net impairment loss on contract assets and trade accounts receivable	–2.7	0.1	–2.6
Other operating income / (expenses), net	2.8	6.7	9.6
Operating income (EBIT)	**128.7**	**–31.3**	**97.4**
Interest and securities income	1.7	3.4	5.1
Interest expenses	–13.1	0.7	–12.4
Other financial income / (expenses), net	–2.0	–0.1	–2.1
Share of gains / (losses) of associates	–1.1	–	–1.1
Income before income tax expenses	**114.2**	**–27.3**	**86.9**
Income tax expenses	–27.9	1.7	–26.2
Net income from continuing operations	**86.3**	**–25.6**	**60.8**
Net income from discontinued operations, net of tax	–	25.6	25.6
Net income	**86.3**	**–**	**86.3**
- thereof attributable to shareholders of Sulzer Ltd	85.7	–	85.7
- thereof attributable to non-controlling interests	0.7	–	0.7

1) Aligned with the presentation of the consolidated income statement of the current year, net impairment loss on contract assets and trade accounts receivable previously included in selling and distribution expenses, is presented separately.

7 Disposal group held for sale

On May 24, 2022, the group announced its intention to exit the Russian market and initiated an active program to find a buyer for four legal entities in the country. The Russian business is comprised of entities with operations in the reporting segments Flow Equipment, Services and Chemtech and includes two service centers and one production facility. Negotiations are ongoing with potential buyers, with deal closure expected in late 2022 or early 2023, pending finalization of negotiations and obtainment of any required regulatory approvals. The assets and associated liabilities of these operations expected to be transferred as part of a sale have therefore been classified as held for sale in the interim period ending 30 June, 2022.

A disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Upon the classification as held for sale, write-downs of CHF 88.9 million were recorded, with CHF 32.2 million recorded in other operating expenses, CHF 38.8 million in cost of goods sold, CHF 15.7 million in general and administrative expenses, and CHF 2.2 million in the income tax expenses line. The write-downs include mainly impairments of goodwill, other intangible assets, property, plant and equipment, and write-down of inventory. The fair value less costs to sell reflects the estimated net selling price of the disposal group; the estimate is based on the current status of discussions with potential buyers.

Other comprehensive income as of June 30, 2022, includes CHF 4.3 million to be reclassified to the income statement at the date of the sale. The assets and liabilities classified as held for sale as of June 30, 2022, are presented in the following table:

millions of CHF	2022
Cash and cash equivalents	41.5
Trade accounts receivable	0.9
Total assets of disposal group held for sale	**42.4**
Non-current lease liabilities	0.5
Other non-current liabilities	0.2
Current borrowings and lease liabilities	0.3
Current provisions	2.4
Trade accounts payable and contract liabilities	3.6
Contract liabilties	26.2
Other current and accrued liabilites	9.2
Total liabilities of disposal group held for sale	**42.4**

Whereas 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.

8 Other operating income and expenses

millions of CHF	2022	2021 1)
Gain from sale of property, plant and equipment	7.5	1.0
Operating currency exchange gains, net	–	2.5
Other operating income	9.1	10.6
Total other operating income	**16.6**	**14.1**
Restructuring expenses	–0.9	–1.8
Impairments on tangible and intangible assets	–36.4	–0.3
Cost for mergers and acquisitions	–0.4	–2.3
Loss from sale of property, plant and equipment	–2.8	–0.0
Loss from deconsolidation of subsidiaries	–6.7	–0.0
Operating currency exchange losses, net	–9.9	–
Total other operating expenses	**–57.2**	**–4.5**
Total other operating income / (expenses), net	**–40.6**	**9.6**

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6).

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales from customers. In 2021, other operating income included income from charges to the discontinued operation APS division (later renamed medmix) for corporate support functions and centrally procured indirect spend utilized by medmix of CHF 5.2 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).

For the period ended June 30, 2022, the group recognized impairments of CHF 36.4 million (first half of 2021: CHF 0.3 million). Impairments of CHF 4.2 million (first half of 2021: CHF 0.3 million) were recorded based on performed impairment tests on production machines and facilities. Impairments of CHF 32.2 million on goodwill, other intangible assets, and property, plant and equipment 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 7).

The functional allocation of the total restructuring expenses and impairments is estimated as follows: cost of goods sold CHF –24.8 million (first half of 2021: CHF –0.6 million), selling and distribution expenses CHF –6.7 million (first half of 2021: CHF –0.2 million), general and administrative expenses CHF –5.8 million (first half of 2021: CHF –1.3 million).

9 Financial income and expenses

millions of CHF	2022	2021 [1)]
Interest and securities income	3.3	5.1
Interest income on employee benefit plans	0.2	0.0
Total interest and securities income	**3.5**	**5.1**
Interest expenses on borrowings and lease liabilities	–11.7	–11.0
Interest expenses on employee benefit plans	–1.5	–1.4
Total interest expenses	**–13.2**	**–12.4**
Total interest income / (expenses), net	**–9.7**	**–7.2**
Fair value changes	9.1	–8.1
Other financial expenses	–1.1	–0.5
Currency exchange gains / (losses), net	10.3	6.5
Total other financial income / (expenses), net	**18.3**	**–2.1**
Total financial income / (expenses), net	**8.5**	**–9.4**
- thereof fair value changes on financial assets at fair value through profit and loss	9.1	–8.1
- thereof interest income on financial assets at amortized costs	3.3	5.1
- thereof other financial expenses	–1.1	–0.5
- thereof currency exchange gains / (losses), net	10.3	6.5
- thereof interest expenses on borrowings	–10.8	–10.0
- thereof interest expenses on lease liabilities	–0.9	–1.0
- thereof interest expenses on employee benefit plans	–1.3	–1.4

1) Comparative information has been re-presented due to discontinued operations (details are described in note 6).

Total financial income amounted to CHF 8.5 million, compared with financial expenses of CHF 9.4 million in the first half of 2021.

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

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.

10 Income taxes

Income tax expenses comprise current and deferred tax. The reported effective income tax rate amounts to 166.4%, compared with 24.4% for the six months ended June 30, 2021, and reflects a pro-rated calculation of the projected full year charge based upon the accounting policy for current and deferred income taxes in note 34 of the consolidated financial statements for the year ended December 31, 2021. The effective income tax rate for 2022 was significantly influenced by write-offs and other losses of business in Russia and Poland impacting income before income tax expenses with no corresponding reduction in the projected tax charge. The June 30, 2022 tax charge also includes write-off of CHF 2.2 million current income tax receivables and the reversal of deferred tax assets of CHF 5.4 million, both related to the Russian businesses.

11 Equity

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.

Treasury shares

The total number of treasury shares held by Sulzer Ltd as of June 30, 2022, was 400’330 shares (December 31, 2021: 534’073 shares).

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

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 unpaid dividends are reflected in the balance sheet position “Other current and accrued liabilities” (see note 14).

Contribution from medmix

The contribution relates to vested shares under Sulzer share plans for medmix employees.

Transaction costs recorded in equity

Transaction costs directly attributable to the spin-off of medmix are recorded as a deduction from equity.

12 Borrowings

millions of CHF	Non-current borrowings	Current borrowings	2022 Total
Balance as of January 1	1’164.6	345.5	1’510.1
Cash flow from proceeds	–	272.3	272.3
Cash flow for repayments	–	–276.0	–276.0
Changes in amortized costs	0.2	–0.0	0.1
Currency translation differences	–0.1	–0.1	–0.1
Total borrowings as of June 30	**1’164.7**	**341.7**	**1’506.4**

millions of CHF	Non-current borrowings	Current borrowings	2021 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**

The group has a CHF 500 million syndicated credit facility with a maturity date of December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders’ approval). The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of June 30, 2022, and December 31, 2021, the syndicated facility was not used.

Outstanding bonds

millions of CHF	2022 Amortized costs	2022 Nominal	2021 Amortized costs	2021 Nominal
0.375% 07/2016–07/2022	325.0	325.0	325.0	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.8	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	299.5	300.0	299.5	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.7	200.0
Total as of June 30 / December 31	**1’489.0**	**1’490.0**	**1’488.8**	**1’490.0**
– thereof non-current	1’164.0	1’165.0	1’163.8	1’165.0
– thereof current	325.0	325.0	325.0	325.0

All outstanding bonds are traded at the SIX Swiss Exchange.

13 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	5.4	7.7	0.9	0.1	28.9	43.0
Released as no longer required	–0.5	–4.5	–	–	–2.1	–7.1
Utilized	–5.3	–5.7	–8.6	–	–25.5	–45.0
Currency translation differences	0.6	2.5	0.2	–0.3	–1.0	1.9
Total provisions as of June 30	**54.0**	**91.2**	**13.4**	**11.6**	**55.7**	**226.0**
– thereof non-current	38.4	3.8	1.9	11.6	11.7	67.3
– thereof current	15.6	87.4	11.6	0.0	44.1	158.7

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.

Up to June 2022, the group utilized CHF 8.6 million of restructuring provisions mainly relating to resizing measures of sites in Europe and the USA initiated in 2020 and 2021. The remaining restructuring provision as of June 30, 2022, is CHF 13.4 million (first half of 2021: CHF 26.8 million), of which CHF 11.6 million (first half of 2021: CHF 24.5 million) is expected to be utilized within one year.

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

“Other” includes provisions that do not fit into the aforementioned categories. Provisions pertaining to onerous contracts, ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, Sulzer is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although Sulzer expects a large part of the category “Other” to be realized in one year, by their nature the amounts and timing of any cash outflows are difficult to predict.

14 Other current and accrued liabilities

millions of CHF	2022	2021
Liability related to the purchase of treasury shares	94.3	98.1
Outstanding dividend payments	239.2	201.1
Taxes (VAT, withholding tax)	29.9	34.3
Derivative financial instruments	13.8	6.7
Notes payable	18.6	26.7
Contingent consideration	2.0	4.0
Other current liabilities	24.1	25.1
Total other current liabilities as of June 30 / December 31	**421.8**	**395.9**
Contract-related costs	156.9	168.3
Salaries, wages and bonuses	85.5	116.8
Vacation and overtime claims	27.1	24.0
Other accrued liabilities	141.9	123.1
Total accrued liabilities as of June 30 / December 31	**411.4**	**432.3**
Total other current and accrued liabilities as of June 30 / December 31	**833.3**	**828.1**

The outstanding dividend payments amounted to CHF 239.2 million (December 31, 2021: CHF 201.1 million), which is an increase of CHF 38.1 million. The details regarding the dividends are explained in note 11.

15 Accounting policies

15.1 Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the consolidated financial statements for the year 2021 and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the financial statements for the year ended December 31, 2021, and any public announcements made by Sulzer during the interim reporting period.

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

15.2 Change in accounting policies

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

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

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

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

16 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated interim financial statements for issue on July 28, 2022. At the time when these consolidated interim financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any other events that would materially affect these financial statements.

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