Geschäfts-bericht

2023

3 Brief an die Aktionärinnen und Aktionäre

7 Sulzer auf einen Blick →
7 Unser Unternehmen
8 Unsere Kennzahlen

10 Lagebericht →
11 Finanzbericht
17 Lagebericht Divisionen

26 Corporate governance (English only) →
27 Corporate structure and shareholders
28 Capital structure
29 Board of Directors
42 Executive Committee
46 Shareholder participation rights
47 Takeover and defence measures
48 Auditors
49 Risk management
51 Information policy

53 Compensation report (English only) →
54 Letter to the shareholders
56 Compensation governance and principles
60 Compensation architecture for the CEO and Executive Committee members
71 Compensation of the Executive Committee for 2023
76 Compensataion architecture for the Board of Directors
78 Compensation of the Board of Directors in 2023
81 Auditor’s report

84 Consolidated financial statements (English only) →
85 Consolidated income statement
86 Consolidated statement of comprehensive income
87 Consolidated balance sheet
88 Consolidated statement of changes in equity
90 Consolidated statement of cash flows
0 Notes to the consolidated financial statements
177 Auditor’s report
183 Supplementary information

191 Financial statements of Sulzer Ltd (English only) →
191 Balance sheet of Sulzer Ltd
192 Income statement of Sulzer Ltd
193 Statement of changes in equity of Sulzer Ltd
194 Notes to the financial statements of Sulzer Ltd
200 Proposal of the Board of Directores for the appropriation of the available profit
201 Auditor’s report

Sulzer Executive Committee

Von links: Tim Schulten, Divisionsleiter Services; Thomas Zickler, Chief Financial Officer; Suzanne Thoma, Executive Chair; Jan Lüder, Divisionsleiter Flow Equipment; Haining Auperin, Chief Human Resources Officer; Uwe Boltersdorf, Divisionsleiter Chemtech

Sehr geehrte Aktionärinnen,
Sehr geehrte Aktionäre

beim Blick zurück auf das Geschäftsjahr 2023 muss ich natürlich an die Herausforderungen denken, mit denen sich die Gesellschaft weltweit konfrontiert sieht. Dennoch bin ich ermutigt zu sehen, wie gut wir diesen Herausforderungen standgehalten haben, während wir uns darauf vorbereiten, alle zahlreichen Chancen vollständig zu nutzen, die wir ebenfalls erkennen. Ich freue mich, Ihnen nach einem weiteren ereignisreichen Jahr unsere Jahresergebnisse 2023 und den Ausblick für 2024 präsentieren zu dürfen.

Globale Trends und Kreislaufwirtschaft

2023 war, wie die vergangenen letzten Jahre auch, geprägt von Ereignissen, die zu geopolitischer Unruhe und Inflation geführt oder den Klimawandel und die Energiekrise verschärft haben. Zugleich sind sich die Menschen zunehmend darin einig, dass unsere globale Gesellschaft die grössten Herausforderungen, vor denen sie heute steht, nur meistern kann, wenn wir alle zusammenarbeiten. Globalen Unternehmen mit Produkten und Technologien, die einen Unterschied machen, kommt in dieser Hinsicht eine wichtige Rolle zu. Sie können als Vorbild dafür dienen, wie Menschen zusammenarbeiten und gemeinsam Lösungen finden. Denn in globalen Unternehmen stehen die Gemeinsamkeiten im Mittelpunkt, nicht die Unterschiede, die trennend wirken können.

Sulzer ist gut aufgestellt für globale Trends wie Energie- und Wassersicherheit, die Energiewende, sauberere und reinere Werkstoffe und Chemikalien sowie neue zirkuläre Technologien, die zunehmend an Bedeutung gewinnen. Als Konzern realisieren und warten wir kritische Infrastrukturen für unsere Kunden, und unsere Technologien sorgen für die notwendige Widerstandsfähigkeit gegenüber externen Herausforderungen. So bauen wir derzeit unser Wassergeschäft in den USA aus, um den geplanten Ausbau der Abwasserinfrastruktur zu unterstützen, mit dem die US-Regierung die Versorgung von Haushalten und Gemeinden, der Industrie, der Landwirtschaft und der Wasserkraft mit sauberem und bezahlbarem Wasser sicherstellen will. Innovative Technologie von Sulzer ermöglicht die Entwicklung von Biokraftstoffen und reineren Chemikalien, verbessert die Auslastung und das Recycling und trägt so weltweit zur Kreislaufwirtschaft bei. Darüber hinaus bedienen wir traditionelle Endmärkte mit wertvollen Services und Lösungen zur Steigerung der Energieeffizienz und zur Verlängerung der Lebensdauer. Unsere Lösungen passen wir kontinuierlich an, um unseren Kunden einen fortlaufenden Mehrwert zu bieten.
Wir arbeiten über unser gesamtes Portfolio hinweg daran mit, die Grenzen des technisch Machbaren bei der Kohlenstoffbindung und den erneuerbaren Energien zu verschieben, und wir schliessen Partnerschaften, um Prozesse energie- und kosteneffizienter zu machen. Erst kürzlich konnten wir eine gemeinsam mit dem Schweizer Technologieunternehmen Crosstown H2R entwickelte revolutionäre Wasserstoff-Verbrennungstechnik zur Umrüstung von Gasturbinen auf Wasserstoff präsentieren. Damit können unsere Kunden ihre Betriebe dekarbonisieren, ohne Maschinen und Infrastrukturen kostspielig erneuern zu müssen.

2023 haben wir auch unser Angebot für die Herstellung von biobasiertem Polylactid (PLA) deutlich gestärkt, um die fortschreitende Umstellung auf zirkuläre Herstellungspraktiken und Applikationen zu unterstützen. Wir haben ein neues Forschungs- und Entwicklungszentrum in Singapur in Betrieb genommen und gerade eben zwei neue Biokunststoff-Technologien auf den Markt gebracht, die Stakeholdern bei der nachhaltigen Fertigung einen Wettbewerbsvorteil verschaffen.

Unsere globalen Märkte sind nachweislich langlebig und werden, trotz aller Entwicklungen, relevant bleiben – während neue Märkte entstehen. In den Fokusstories im nichtfinanziellen Teil des Berichts erfahren Sie mehr darüber, wie Sulzer-Technologie Mehrwert für unsere Stakeholder schafft (hier klicken).

Gute Ergebnisse in allen Divisionen

Sulzer verzeichnete im gesamten Geschäftsjahr 2023 in allen Divisionen eine starke Performance mit einem organischen Plus von 13.9% im Vergleich zum Vorjahr beim Bestellungseingang.

Der Umsatz erhöhte sich gegenüber dem Vorjahr. Die verbesserte Umsetzung führte zu einem weiteren Anstieg der operativen Profitabilität um 110 Basispunkte auf 11.1% – der höchste Wert der vergangenen zehn Jahre. Der Free Cash Flow belief sich auf CHF 301.3 Millionen, dies gegenüber CHF 58.3 Millionen auf vergleichbarer Basis im Vorjahr. Ursächlich hierfür waren Verbesserungen bei der operativen Exzellenz und die effiziente Bewirtschaftung des Nettoumlaufvermögens.

Gute Unternehmensführung

Im Jahr 2023 gab es Änderungen im Verwaltungsrat. Mit der Aufnahme von drei neuen unabhängigen Mitgliedern an der Generalversammlung am 19. April 2023 stieg die Anzahl der Mitglieder im Verwaltungsrat von sechs auf sieben. Dr. Prisca Havranek Kosicek (CFO von Jenoptik), Per Utnegaard (ehemaliger CEO von Bilfinger und Swissport) und Dr. Hariolf Kottmann (ehemaliger CEO und Verwaltungsratspräsident von Clariant) traten an die Stelle von Peter Bichsel und Hanne Birgitte Breinbjerg Sørensen, die sich nach langjähriger und erfolgreicher Tätigkeit bei Sulzer nicht mehr zur Wiederwahl gestellt hatten. Zur Unterstützung der Corporate Governance hat der Verwaltungsrat die neue Funktion des Lead Independent Director geschaffen und Markus Kammüller mit dieser Aufgabe betraut, der auch den Vorsitz des neu geschaffenen Governance-Ausschusses übernommen hat.

“Unsere drei Division sind durch unsere Wertschöpfungskette, unsere Technologien und Schlüsselkompetenzen miteinander verbunden und bieten attraktive Entwicklungsperspektiven. Wir haben eine klare Strategie nach vorn.”

Suzanne Thoma
Executive Chair

Strategie 2028

Gemeinsam mit unserem neuen Verwaltungsrat haben wir die Überprüfung unserer Unternehmensstrategie Sulzer 2028 abgeschlossen, um sicherzustellen, dass wir die Bedürfnisse und Erwartungen unserer Kunden weiterhin erfüllen, während wir unser langfristiges Wachstumspotenzial maximieren. Sulzer ist in attraktiven, wachsenden Märkten tätig, die sich aufgrund des steigenden globalen Bedarfs entwickeln und an Bedeutung gewinnen. Wachstumstreiber für diese Märkte sind Must-Haves wie kurz- und langfristige bezahlbare Energiesicherheit, effiziente Ressourcennutzung und die Verlängerung der Lebensdauer unserer Infrastrukturen. Die Notwendigkeit einer ausreichenden Versorgung mit sauberem Wasser treibt die Nachfrage nach Lösungen zur Abwasseraufbereitung an, und auch der Bedarf an saubereren, reineren und nachhaltigeren Chemikalien und Werkstoffen steigt stetig.
Sulzer ist mit seinen Produkten, Lösungen und Services bestens aufgestellt, um die sich entwickelnde globale Nachfrage zu bedienen und einer wachsenden Weltbevölkerung den Weg zu Wohlstand und Nachhaltigkeit zu ebnen. Unsere Innovations- und Engineering-Kapazitäten ermöglichen es uns, ein neues und umfassendes Produkt- und Serviceangebot für viele anspruchsvolle Märkte zu entwickeln. Dabei fokussieren wir uns auf Effizienzsteigerungen, hohe Reinheitsanforderungen und die Reduktion von Emissionen und Abfällen. Gemeinsam mit unseren Kunden werden wir beim Wandel zu einer weniger kohlenstoffintensiven Wirtschaft vorangehen und nachhaltiges, profitables Wachstum vorantreiben.

Sulzer wird sein Angebot an integrierten Lösungen für kritische Anwendungen – darunter die Nachrüstung von Energie-Infrastrukturanlagen, integrierte Abwasseraufbereitungsanlagen, Kleinanlagen zur Kohlenstoffabscheidung, Technologie für die Biopolymer-Produktion und Lösungen für die Herstellung sauberer Brennstoffe – weiter stärken. Wir werden in die Forschung und Entwicklung für besonders anspruchsvolle Energie-/Hochdruckanwendungen, Recyclingtechnologien, biobasierte Technologien und Lösungen zur CO-Abscheidung und -Speicherung investieren. Unsere drei Divisionen haben das Potenzial, über unsere Wertschöpfungskette, unsere Technologien und Schlüsselkompetenzen und im Interesse von Kunden, die zunehmend nach integrierten Lösungen suchen, verstärkt zu interagieren. Auf diese Weise werden wir objektiven und nachhaltigen Mehrwert für unser Aktionariat, unsere Mitarbeitenden und Gemeinden in aller Welt schaffen.

Wir wollen den Mehrwert, den wir schaffen, maximieren. Deshalb stützt sich unsere Strategie Sulzer 2028 im Wesentlichen auf zwei Säulen, die darauf abzielen, unserem Unternehmen zu profitablem Wachstum zu verhelfen und es gleichzeitig widerstandsfähiger, effizienter und flexibler zu machen: Fokussiertes, profitables organisches Wachstum und Management der operativen Exzellenz. Die erfahrene Führungsmannschaft von Sulzer wird unsere Teams dabei unterstützen, durch eine deutliche Steigerung der operativen Exzellenz über den gesamten Wertschöpfungsprozess – von der Innovation über den Vertrieb bis hin zur Lieferkette, Lieferung und Service – Leistungsverbesserungen voranzutreiben. Dies wird es uns erlauben, unsere Effizienz zu optimieren, unsere Kundenorientierung zu stärken und profitabler zu wachsen.

Ausblick für 2024

Trotz eines sehr unsicheren globalen Umfelds erzielte Sulzer 2023 gute Finanzergebnisse in allen Divisionen und ist für Wachstum gut aufgestellt. Für 2024 erwartet Sulzer ein organisches Wachstum des Bestellungseingangs von 2 bis 5% im Vergleich zum Vorjahr. Es wird erwartet, dass sich der Bestellungseingang in der ersten Jahreshälfte im Vergleich zur sehr starken ersten Jahreshälfte 2023 langsam entwickelt und die Leistung in der zweiten Jahreshälfte anzieht - diese Erwartung spiegelt die Art des Projektgeschäfts in den Märkten von Sulzer wider. Darüber hinaus erwartet Sulzer ein organisches Umsatzwachstum von 6 bis 9% und eine Fortsetzung des Aufwärtstrends der operativen Rentabilität auf rund 12% des Umsatzes.

Als Ausdruck unseres Vertrauens in die zukünftigen Leistungen von Sulzer freuen wir uns, der Generalversammlung für das Jahr 2023 eine ordentliche Dividende von CHF 3.75 pro Aktie vorzuschlagen.

Ich möchte Ihnen, unseren Aktionärinnen und Aktionären, an dieser Stelle noch einmal unsere Wertschätzung für Ihre Unterstützung aussprechen, und mich bei unseren Mitarbeitenden, Kunden und Partnern bedanken, die unsere Erfolge erst möglich machen.

Freundliche Grüsse,

Suzanne Thoma
Executive Chair

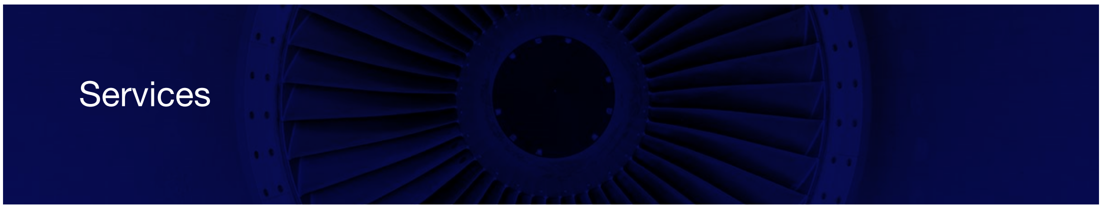
Bedienung wichtiger Märkte

Sulzer bedient wichtige Märkte und unterstützt florierende Volkswirtschaften und eine nachhaltige Gesellschaft. Wichtige globale Trends machen unsere Produkte, Dienstleistungen und Technologien relevanter denn je.

Mit dem Wachstum der Weltbevölkerung steigt auch der Bedarf an Produkten und Dienstleistungen, insbesondere in den aufstrebenden Industriemärkten. Dies wiederum führt zu einer größeren Nachfrage nach Zugang zu Energie, mehr und sauberem Wasser und Konsumgütern wie elektronischen Geräten. Diese steigende Nachfrage unterstreicht die Notwendigkeit, eine wohlhabende Zukunft mit einer widerstandsfähigen und nachhaltigen globalen Gesellschaft in Einklang zu bringen.

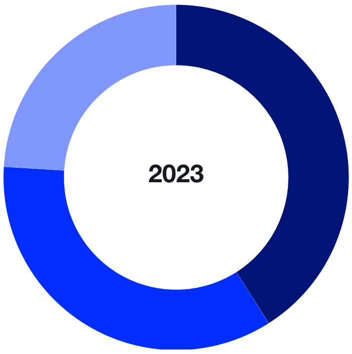
Sulzer ist gut positioniert, um Produkte, Dienstleistungen und Technologien für wichtige Märkte wie Energie, natürliche Ressourcen und Prozessindustrien anzubieten, die zunehmend sowohl Wohlstand als auch Nachhaltigkeit ermöglichen. Unsere drei Divisionen - Flow Equipment, Services und Chemtech - bedienen dieselben wichtigen Wachstumsmärkte, die die Sicherheit und Qualität kritischer Güter und Dienstleistungen sowie den Übergang zu einer nachhaltigeren Zukunft sicherstellen. Verbunden durch grosse, globale Industriekunden, verbessern unsere Divisionen ihre Produkte und Technologien und ermöglichen so Effizienzsteigerungen und Kreislaufwirtschaft.

Sulzer hat sich zum Ziel gesetzt, ein führendes Industrieunternehmen zu werden, das immer mehr Wert für Aktionäre, Kunden, Mitarbeitende und die Gesellschaft schafft und damit einen wesentlichen Beitrag zu globalem Wohlstand und Nachhaltigkeit leistet.



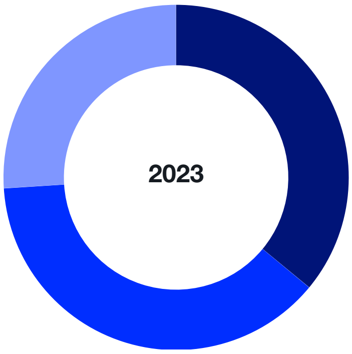
Unsere Kennzahlen

Bestellungseingang nach Divisionen



- 41% Flow Equipment
- 35% Services
- 24% Chemtech

Bestellungseingang nach Regionen



- 36% Europa, Naher Osten und Afrika
- 38% Nord-, Mittel- und Südamerika
- 26% Asien-Pazifik

Kennzahlen

in Mio. CHF	2023	2022	Veränderung in +/–%	+/–% bereinigt [1]	+/–% organisch [2]
Bestellungseingang	3’580.3	3’425.4	4.5	12.6	13.9
Bruttomarge des Bestellungseingangs	33.9%	33.5%			
Auftragsbestand am 31. Dezember	1’946.8	1’844.7	5.5		
Umsatz	3’281.7	3’179.9	3.2	11.0	13.2
EBIT [3]	329.7	111.4	> 100		
Operationelles Ergebnis	365.6	317.6	15.1	24.4	25.3
Operationelle Profitabilität	11.1%	10.0%			
Operationeller ROCEA	28.4%	23.7%			
Kern-Nettogewinn	257.9	213.1	21.0		
Nettogewinn	230.5	28.0	> 100		
Unverwässerter Gewinn je Aktie (in CHF)	6.76	0.85	> 100		
Free Cash Flow (FCF)	301.3	58.3	> 100		
Nettoverschuldung am 31. Dezember	172.3	234.6	–26.6		
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	13’130	12’868	2.0		

1) Bereinigt um Währungseffekte.
2) Bereinigt um Akquisitions, Dekonsolidierungs- und Währungseffekte.
3) 2022 wurde durch Abschreibungen im Zusammenhang mit Russland und Polen beeinträchtigt.

Börseninformationen

	2023	2022	2021	2020	2019
Namenaktie (in CHF)					
– höchst	91.70	93.50	143.10	110.50	113.40
– tiefst	71.10	56.10	82.45	40.12	75.15
– Jahresende	85.90	72.00	89.85	93.10	108.00
Börsenkapitalisierung per 31. Dezember					
– Anzahl ausstehender Aktien	33’811’296	33’738’515	33’727’637	33’835’903	34’021’446
– in Mio. CHF	2’904	2’429	3’030	3’150	3’674
– in Prozent des Eigenkapitals	265%	237%	238%	224%	232%
Kurs-Gewinn-Verhältnis per 31. Dezember	12.7x	85.2x	2.1x	37.8x	23.9x
Dividendenrendite per 31. Dezember	4.4%	4.9%	3.9%	4.3%	3.7%

Angaben je Aktie

CHF	2023	2022	2021	2020	2019
Nettogewinn, einem Aktionär der Sulzer AG zustehend	6.76	0.85	41.93	2.46	4.52
Veränderung zum Vorjahr	700%	–98%	1’603%	–46%	27%
Eigenkapital, einem Aktionär der Sulzer AG zustehend	32.40	30.40	37.80	41.50	46.50
Ordentliche Dividende	3.75 1)	3.50	3.50	4.00	4.00
Payout ratio	55%	414%	8%	163%	88%
Durchschnittliche Anzahl ausstehender Aktien	33’884’651	33’825’814	33’788’006	33’970’141	34’026’442

1) Vorschlag an die Generalversammlung.

Aktionärsstruktur am 31. Dezember 2023

Anzahl Aktien	Anzahl Aktionäre	Anteil
1–100	4’314	0.7%
101–1’000	5’159	5.0%
1’001–10’000	604	4.7%
10’001–100’000	95	7.8%
Über 100’000	12	54.7%
Total registrierte Aktionäre und Aktien (ohne eigene Aktien Sulzer AG)	**10’184**	**72.8%**

Lagebericht

11 Finanzbericht

17 Lagebericht Divisionen
17 Flow Equipment
20 Services
23 Chemtech

Starke Leistung bei allen KPIs

Hinweis: Sofern nicht anders angegeben, basieren alle Veränderungen zum Vorjahr auf organischen Werten (währungs-, akquisitions- und dekonsolidierungsbereinigt).

Alle Geschäftsbereiche zeigten starke Leistungen, wobei der Bestelleingang um 13.9% und der Umsatz um 13.2% im Vergleich zum Vorjahr anstieg. Die betriebliche Rentabilität erreichte 11.1%, was eine deutliche Verbesserung um 110 Basis Punkte im Vergleich zu 2022 darstellt. Der Free Cash Flow erreichte CHF 301.3 Millionen, eine Erhöhung um CHF 243.0 Millionen gegenüber CHF 58.3 Millionen im gleichen Vorjahreszeitraum.

Zweistelliges Wachstum bei Bestellungen und Umsatz in allen Divisionen

Der Bestellungseingang nahm im Vergleich zu 2022 konzernweit um 13.9% zu und stieg auf CHF 3’580.3 Millionen, was den höchsten Wert des Bestelleingangs der letzten zehn Jahre darstellt. Aufgrund der starken Aufwertung des Schweizer Frankens gegenüber den meisten anderen Konzernwährungen, wirkten sich die Währungsumrechnungseffekte mit CHF 276.1 Millionen negativ auf den Bestellungseingang aus. Veräusserungen und Dekonsolidierungen wirkten sich mit CHF 46.9 Millionen aus. Die Bruttomarge des Bestellungseingangs[1] stieg um 0.4 Prozentpunkte auf 33.9%.

Die Division Flow Equipment verzeichnete beim Bestellungseingang ein Plus von 11.2%. Grossaufträge zur Unterstützung der Energiewende und der Energiesicherheit, die in der ersten Jahreshälfte verbucht wurden, trugen massgeblich dazu bei. In der Division Services stiegen die Bestellungen um 19.8%, gestützt auf die positive Entwicklung der Endmärkte in Nord-, Mittel- und Südamerika. Die Division Chemtech verzeichnete ein Auftragsplus von 10.5%, bedingt durch Grossaufträge in der ersten Jahreshälfte und ihr gut aufgestelltes Produkt- und Komponentengeschäft.

Per 31. Dezember 2023 belief sich der Auftragsbestand auf CHF 1’946.8 Millionen (31. Dezember 2022: CHF 1’844.7 Millionen). Die negativen Währungsumrechnungseffekte auf den Auftragsbestand beliefen sich insgesamt auf CHF 162.1 Millionen.

1) Die Bruttomarge des Bestellungseingangs errechnet sich aus dem erwarteten Bruttogewinn des Bestellungseingangs dividiert durch den Bestellungseingang.

Bestellungseingang

	2023	2022
Bestellungseingang	3’580.3	3’425.4
Bruttomarge des Bestellungseingangs	33.9%	33.5%
Auftragsbestand am 31. Dezember	1’946.8	1’844.7

Der Umsatz stieg gegenüber dem Vorjahr um 13.2% auf CHF 3’281.7 Millionen. Die negativen Währungseffekte beliefen sich auf insgesamt CHF 247.8 Millionen. Veräusserungen und Dekonsolidierungen wirkten sich mit CHF 71.1 Millionen aus.

In der Division Flow Equipment stieg der Umsatz um 10.9%, wobei alle Geschäftsbereiche, insbesondere die Industrie, von dem hohen Auftragsbestand und der allgemeinen Stabilisierung der Lieferkette profitierten. Der Umsatz im Bereich Services wuchs ebenfalls und erreichte einen Gesamtanstieg von 14.5%, wozu alle Regionen beitrugen. Bei Chemtech stieg der Umsatz dank der soliden Abarbeitung des hohen Auftragsbestands um 15.5%.

“Unsere starke Performance im Jahr 2023 macht deutlich, wie wertvoll unsere Lösungen und unser Know-how für Schlüsselindustrien sind. Die Nachfrage nach unseren wichtigen Services und Produkten ist gross – sowohl in unseren herkömmlichen als auch in sich entwickelnden Märkten.”

Thomas Zickler
Chief Financial Officer

Gesunde Bruttomargen

Bedingt durch operative Exzellenz und einen besseren Produktmix, verbesserte sich die Bruttomarge auf 33.0% gegenüber 29.5% im Vorjahr, als sie durch russlandbedingte Abschreibungen belastet wurde. Einhergehend mit dem gestiegenen Umsatzvolumen verbesserten sich die Margen, und der Bruttogewinn belief sich auf CHF 1’084.6 Millionen (2022: CHF 939.6 Millionen).

Operationelle Profitabilität steigt um 110 Basispunkte auf 11.1%

Die gestiegenen Umsätze und die besseren Margen führten zu einem Anstieg des operationellen Gewinns um 25.3% auf CHF 365.6 Millionen ((2022: CHF 317.6 Millionen). Dies führte zu der mit 11.1% höchsten operationellen Profitabilität in den letzten zehn Jahren. Gegenüber dem Vorjahr (10.0%) bedeutet dies eine Verbesserung um 110 Basispunkte. Alle Divisionen konnten ihre operationelle Profitabilität erfolgreich verbessern.

- Flow Equipment: 8.0% (2022: 6.6%), dank gestiegener Umsätze, besserer Margen und Exzellenz bei der Herstellung.
- Services: 14.8% (2022: 14.2%), basierend auf diszipliniertem Preis- und Kostenmanagement.
- Chemtech: 12.3% (2022: 10.8%), bedingt durch starkes Umsatzwachstum und einen günstigen Margenmix über das gesamte Portfolio hinweg.

Überleitung vom operationellen Ergebnis zum EBIT

in Mio. CHF	2023	2022
Operationelles Ergebnis	**365.6**	**317.6**
Amortisation	–36.6	–38.8
Wertminderungen von immateriellen Anlagen und Sachanlagen	–0.2	–44.5
Restrukturierungskosten	–3.0	–0.1
Nicht operative Positionen [1)]	3.8	–122.8
EBIT	**329.7**	**111.4**

1) Übrige nicht operative Positionen beinhalten wesentliche akquisitionsbezogene Kosten, Gewinne und Verluste aus dem Verkauf von Geschäftsbereichen oder Immobilien und bestimmte nicht operative Positionen, die nicht wiederkehrend sind oder nicht regelmässig in dieser Grössenordnung auftreten.

Umsatzrendite bei 10.0%

Per 31. Dezember 2023 belief sich das EBIT auf CHF 329.7 Millionen (CHF 111.4 Millionen im Vorjahr). Im Vorjahresergebnis sind Abschreibungen in Zusammenhang mit dem Ausstieg aus dem Russlandgeschäft und den Schliessungen von Standorten in Polen in Höhe von CHF 147.3 Millionen enthalten. Die Umsatzrendite (ROS) lag bei 10.0%, gegenüber 3.5% am 31. Dezember 2022. Im Berichtsjahr wurde infolge des Ausstiegs aus den russischen Geschäftsaktivitäten ein geringfügiger Gewinn verbucht und unter den nicht operativen Positionen ausgewiesen. Restrukturierungskosten in Höhe von CHF 3.0 Millionen fielen ebenfalls an, vornehmlich in Zusammenhang mit der Reorganisation der Division Flow Equipment.

Berechnung von Umsatzrendite (ROS) und operationeller Profitabilität

in Mio. CHF	2023	2022
EBIT	329.7	111.4
Umsatz	3’281.7	3’179.9
ROS	**10.0%**	**3.5%**
Operationelles Ergebnis	365.6	317.6
Umsatz	3’281.7	3’179.9
Operationelle Profitabilität	**11.1%**	**10.0%**

Finanzergebnis

Der Netto-Finanzaufwand betrug insgesamt CHF 22.2 Millionen, verglichen mit CHF 1.6 Millionen im Jahr 2022.

Der Netto-Zinsaufwand verringerte sich um CHF 5.7 Millionen, was auf einen höheren Zinsertrag aus flüssigen Mitteln zurückzuführen ist. Veränderungen des beizulegenden Zeitwerts von finanziellen Vermögenswerten und Verbindlichkeiten wirkten sich mit CHF 5.1 Millionen positiv aus (CHF 24.0 Millionen im Jahr 2022), und die Währungsverluste beliefen sich auf CHF 17.9 Millionen (2022: CHF 6.6 Millionen). Der Vorjahreswert wurde durch einen positiven Währungseffekt von CHF 21.0 Millionen aus nicht abgesicherten konzerninternen Darlehen an russische Gesellschaften vor deren Klassifizierung als „zur Veräusserung gehalten“ beeinflusst. Der übrige Finanzaufwand belief sich auf CHF 2.5 Millionen (CHF –1.5 Millionen im Jahr 2022).

Effektive Steuerquote liegt bei 24.2%

Der Ertragssteueraufwand verringerte sich trotz des höheren Vorsteuerertrags auf CHF 73.8 Millionen (2022: CHF 79.0 Millionen). Möglich gemacht haben dies eine verbesserte Verwendung von steuerlichen Verlustvorträgen, eine gewährte steuerliche Forschungs- und Entwicklungsförderung und erfolgreich abgeschlossene Steuerprüfungen. Die effektive Steuerquote (ETR) sank von 73.8% (ohne Russland und Polen: 30.7%) im Vorjahr auf 24.2% im Geschäftsjahr 2023.

Anstieg von Nettogewinn und Kern-Nettogewinn

Der Nettogewinn belief sich im Berichtsjahr auf CHF 230.5 Millionen. 2022 waren es nur CHF 28.0 Millionen, bedingt durch Kosten in Höhe von CHF 133.7 Millionen im Zusammenhang mit dem Ausstieg aus dem Russland- und dem Polengeschäft, welche das Ergebnis von Sulzer belasteten. Der Kern-Nettogewinn ohne steuerbereinigte Effekte nicht operativer Positionen belief sich auf CHF 257.9 Millionen, verglichen mit CHF 213.1 Millionen im Jahr 2022. Der unverwässerte Gewinn je Aktie stieg von CHF 0.85 Millionen im Vorjahr auf CHF 6.76 in 2023.

Überleitung vom Nettogewinn zum Kern-Nettogewinn

in Mio. CHF	**2023**	**2022**
Nettogewinn	**230.5**	**28.0**
Amortisation	36.6	38.8
Wertminderungen von immateriellen Anlagen und Sachanlagen	0.2	44.5
Restrukturierungskosten	3.0	0.1
Nicht operative Positionen [1]	–3.8	122.8
Steuereffekt auf oben aufgeführte Positionen	–8.5	–21.1
Kern-Nettogewinn	**257.9**	**213.1**

1) Übrige nicht operative Positionen beinhalten wesentliche akquisitionsbezogene Kosten, Gewinne und Verluste aus dem Verkauf von Geschäftsbereichen oder Immobilien und bestimmte nicht operative Positionen, die nicht wiederkehrend sind oder nicht regelmässig in dieser Grössenordnung auftreten.

Bessere Bilanzeffizienz

Hinweis: Sofern nicht anders angegeben basieren alle Veränderungen zum Vorjahr auf den nominalen Werten.

Die Bilanzsumme lag am 31. Dezember 2023 bei CHF 4’369.5 Millionen und somit CHF 250.7 Millionen unter dem Wert vom 31. Dezember 2022. Ursächlich hierfür waren hauptsächlich die Rückzahlung einer Anleihe, das effektivere Management des Umlaufvermögens und gestiegene Vermögenswerte von leistungsorientierten Pensionsplänen.

Die langfristigen Vermögenswerte stiegen um CHF 101.7 Millionen auf CHF 1’685.9 Millionen. Negative Fremdwährungseffekte in Höhe von CHF 38.9 Millionen auf den Goodwill und eine Verringerung der sonstigen immateriellen Vermögenswerte um CHF 37.5 Millionen konnten durch einen Anstieg der Vermögenswerte von leistungsorientierten Pensionsplänen in Höhe von CHF 169.2 Millionen ausgeglichen werden. Das Umlaufvermögen verringerte sich um CHF 352.4 Millionen, darunter CHF 30.4 Millionen aus der Dekonsolidierung der russischen Geschäftsaktivitäten, die zuvor als „zur Veräusserung gehalten“ klassifiziert waren. Die flüssigen Mittel gingen um CHF 221.7 Millionen zurück, im Wesentlichen aufgrund der Rückzahlung einer Anleihe. Die kurzfristigen Vermögenswerte wie Vorräte, Anzahlungen von Lieferanten, Forderungen aus Lieferungen und Leistungen und Vertragsvermögenswerte, verringerten sich um CHF 85.5 Millionen.

Das gesamte Fremdkapital sank um CHF 320.7 Millionen und lag zum 31. Dezember 2023 bei CHF 3’270.8 Millionen. Ursächlich hierfür war vor allem die Rückzahlung einer Anleihe in Höhe von CHF 290.0 Millionen. Die Verbindlichkeiten aus Lieferungen und Leistungen verringerten sich um CHF 73.1 Millionen ebenfalls, während bei den Vertragsverbindlichkeiten ein Anstieg (CHF 68.7 Millionen) verbucht wurde. Verbindlichkeiten in Höhe von CHF *25.4* Millionen, die zuvor als „zur Veräusserung gehalten“ ausgewiesen waren, wurden im Zuge der Dekonsolidierung des Russlandgeschäfts ausgebucht.

Das Eigenkapital erhöhte sich um CHF 70.0 Millionen auf CHF 1’098.6 Millionen. Ursächlich hierfür waren der Nettogewinn (CHF 230.5 Millionen) und die Neubewertung von leistungsorientierten Vorsorgeplänen (CHF 128.8 Millionen), welche zum Teil durch negative Währungsumrechnungseffekte (CHF 146.0 Millionen), die Dividendenausschüttung (CHF 119.2 Millionen) und den Erwerb von Minderheitsanteilen (CHF 22.8 Millionen) ausgeglichen wurden.

Die Nettoverschuldung verringerte sich von CHF 234.6 Millionen im Jahr 2022 auf CHF 172.3 Millionen im Jahr 2023, vor allem aufgrund des starken operativen Cashflows. Das Verhältnis der Nettofinanzschulden zum EBITDA verringerte sich von 0.87 im Vorjahr auf 0.39. Massgeblich hierfür waren der Anstieg des EBITDA und der Rückgang der Nettofinanzschulden.

Free Cash Flow in Rekordhöhe

Der deutlich verbesserte Free Cash Flow hat mit CHF 301.3 Millionen (2022: CHF 58.3 Millionen) zum ersten Mal seit über zehn Jahren die 300-Millionen-Franken-Grenze überschritten.

Der Mittelfluss aus Geschäftstätigkeit stieg um CHF 243.0 Millionen auf CHF 362.2 Millionen (2022: CHF 119.2 Millionen). Neben dem höheren Nettogewinn und einem effektiven Management des Umlaufvermögens waren auch geringere Steuerzahlungen für diese Verbesserung ausschlaggebend.

Überleitung vom Mittelfluss aus Geschäftstätigkeit zum Free Cash Flow

in Mio. CHF	2023	2022
Mittelfluss aus Geschäftstätigkeit	**362.2**	**119.2**
Erwerb von immateriellen Anlagen	–6.1	–8.7
Erlös aus dem Verkauf von immateriellen Anlagen	0.0	0.0
Erwerb von Sachanlagen	–59.5	–61.2
Erlös aus dem Verkauf von Sachanlagen	4.6	9.0
Free Cash Flow (FCF)	**301.3**	**58.3**

Der Mittelfluss aus Investitionstätigkeit belief sich im Vergleich zu CHF 87.8 Millionen im Vorjahr auf CHF 104.8 Millionen. Der Nettomittelabfluss für den Kauf sowie Verkauf von Sachanlagen und immateriellen Vermögenswerten lag mit CHF 61.0 Millionen in etwa auf Vorjahresniveau (2022: CHF 60.9 Millionen). Daneben belief sich der durch Akquisitionen und Veräusserungen/ Dekonsolidierungen bedingte Mittelabfluss auf CHF 45.7 Millionen.

Der Mittelfluss aus Finanzierungstätigkeit belief sich auf CHF 448.6 Millionen gegenüber CHF 285.4 Millionen im Vorjahr. Dabei handelte es sich im Wesentlichen um die Rückzahlung einer Anleihe in Höhe von CHF 290.0 Millionen und Dividendenzahlungen in Höhe von CHF 81.2 Millionen.

Insgesamt betrug die Nettoveränderung der Flüssigen Mittel seit dem 1. Januar 2023 CHF -250.3 Millionen, einschliesslich Wechselkursverlusten in Höhe von CHF 59.0 Millionen.

Ausblick für 2024

Trotz eines sehr unsicheren globalen Umfelds erzielte Sulzer 2023 gute Finanzergebnisse in allen Divisionen und ist für Wachstum gut aufgestellt. Für 2024 erwartet Sulzer ein organisches Wachstum des Bestellungseingangs von 2 bis 5% im Vergleich zum Vorjahr. Es wird erwartet, dass sich der Bestellungseingang in der ersten Jahreshälfte im Vergleich zur sehr starken ersten Jahreshälfte 2023 langsam entwickelt und die Leistung in der zweiten Jahreshälfte anzieht - diese Erwartung spiegelt die Art des Projektgeschäfts in den Märkten von Sulzer wider. Darüber hinaus erwartet Sulzer ein organisches Umsatzwachstum von 6 bis 9% und eine Fortsetzung des Aufwärtstrends der operativen Rentabilität auf rund 12% des Umsatzes.

Abbreviations

EBIT: Ergebnis vor Zinsen und Steuern
ROS: Umsatzrendite
EBITDA: Ergebnis vor Zinsen, Steuern, Abschreibungen und Amortisationen
FCF: Free Cash flow
Die Definition der alternativen Leistungskennzahlen finden Sie unter „Supplementary information“ im Finanzteil (nur in englischer Sprache verfügbar).

Anhaltend starker Bestellungseingang und gestiegene Profitabilität

Hinweis: Sofern nicht anders angegeben, basieren alle Veränderungen zum Vorjahr auf organischen Werten (bereinigt um Währungseffekte, Akquisitionen und Veräußerungen/Entkonsolidierungen).

Die Division Flow Equipment erzielte im Berichtsjahr erneut eine starke Performance. Der Bestellungseingang stieg mit einem Plus von 11.2% gegenüber 2022. Grund hierfür waren die stärkeren Märkte zu Beginn des Jahres und ausserordentlich grosse Aufträge, die in der ersten Jahreshälfte verbucht wurden. Die Profitabilität stieg um 140 Basispunkte gegenüber dem Vorjahr. Das robuste Umsatzwachstum von 10.9% kann auf einen hohen Auftragsbestand Verbesserungen bei der Abwicklung und eine Stabilisierung der Lieferketten zurückgeführt werden. Flow Equipment konzentriert sich weiterhin auf betriebliche Effizienz in allen Geschäftseinheiten, um die steigende Nachfrage nach Infrastrukturen und Services zur Unterstützung der Energiewende zu bedienen.

Investitionen in Wachstum, Produktivität und Nachhaltigkeit

Die Division Flow Equipment verzeichnet weiterhin eine starke Aktivität auf den Energiemärkten, angetrieben von zukunftsbewährten Lösungen, die Kunden zuverlässig bei der Umstellung auf grüne Energie unterstützen. Wasser und Industrie bleiben strategische Märkte, wobei der Umsatz weiterhin profitabel wächst.

Die Division setzte ihr strategisches Engagement für Forschung und Entwicklung fort und fokussierte sich dabei vorrangig auf wegweisende neue Transformationstechnologien wie Biokraftstoffe und Energiespeicherung. 2023 wurde Sulzer mit der Lieferung der Pumpentechnologie für eine Anlage zur Herstellung von vollständig erneuerbarem und kohlenstofffreiem Biokraftstoff beauftragt, die in der Smart City NEOM in Saudi-Arabien entsteht. Die Anlage wird pro Jahr voraussichtlich etwa 220‘000 Tonnen kohlenstofffreien, grünen Wasserstoff produzieren.

Der Geschäftsbereich Flow Equipment baut auch sein Amerika Geschäft im Bereich Wasser aus und investiert ausserdem in seine Produktions- und Testeinrichtungen, um den geplanten Ausbau der Wasser- und Abwasserinfrastruktur im ganzen Land zu unterstützen, in Übereinstimmung mit dem U.S. Infrastructure Investment and Jobs Act. Wasser und Abwasser sind für die Division auf globaler Ebene weiterhin von zentraler Bedeutung. In Bahrain zum Beispiel haben Sulzers fortschrittliche Filtrationssysteme eine wichtige Abwasseraufbereitungsanlage aufgerüstet, so dass sie 250 000 m^3/Tag Abwasser für die lokale landwirtschaftliche Bewässerung verarbeiten kann. Im Jahr 2023 erweiterte die Division zudem ihr Produktionsstätte für Durchflussanlagen in Riad, Saudi-Arabien, um der wachsenden Nachfrage nach Infrastrukturentwicklung in der Region gerecht zu werden.

Neue Organisationsstruktur

Um die Kunden besser bedienen zu können, und um die betriebliche Effizienz zu verbessern, wurde die Division Flow Equipment mit Wirkung zum 1. Januar 2024 strategisch neu organisiert. Die neue organisatorische Struktur ist kundenorientierter und auf Wachstum fokussiert. Die beiden Geschäftsfelder Wasser und Industrie wurden zusammengelegt und bilden die neue Geschäftseinheit Water & Industrial, während der Bereich Entsalzung und das bestehende Energiegeschäft zur neuen Geschäftseinheit Energy & Infrastructure zusammengelegt wurden. Durch diese strategische Konsolidierung und Integration ist die Division bestens aufgestellt, um die in der Unternehmensstrategie Sulzer 2028 vorgegebenen Ziele des profitablen Wachstums zu erreichen.

Kennzahlen Flow Equipment

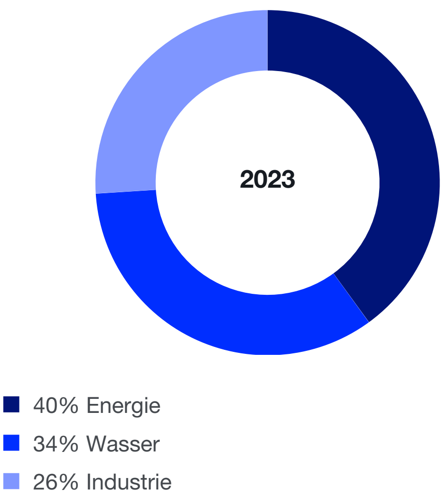
in Mio. CHF	2023	2022	Veränderung in +/–%	+/–% bereinigt [1]	+/–% organisch [2]
Bestellungseingang	1'466.5	1'419.2	3.3	10.6	11.2
Bruttomarge des Bestellungseingangs	30.2%	30.2%			
Auftragsbestand am 31. Dezember	878.3	850.1	3.3		
Umsatz	1'354.4	1'323.0	2.4	9.4	10.9
EBIT [3]	74.1	32.6	> 100		
Operationelles Ergebnis	108.2	87.4	23.8	27.5	27.8
Operationelle Profitabilität	8.0%	6.6%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	5'465	5'263	3.8		

1) Bereinigt um Währungseffekte.
2) Bereinigt um Akquisitions, Dekonsolidierungs- und Währungseffekte.
3) 2022 wurde durch Abschreibungen im Zusammenhang mit Russland und Polen beeinträchtigt.

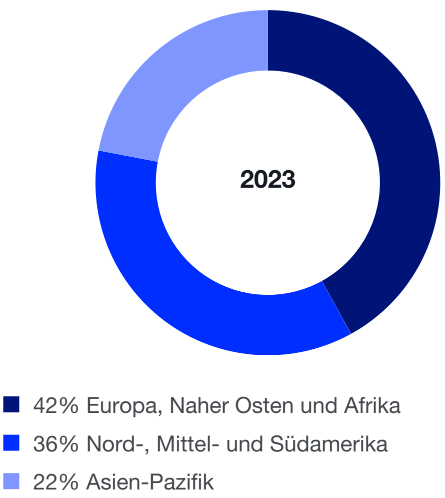
Starkes Wachstum beim Bestellungseingang

Die Division Flow Equipment setzte ihren Wachstumskurs im Berichtsjahr fort und verzeichnete ein deutliches Auftragsplus von 11.2% im Jahr 2023. Ursächlich hierfür waren grosse Einmalaufträge in der ersten Jahreshälfte, in Verbindung mit einer kräftigen Expansion bei Lösungen für Klimawandel und Sicherheit.

Bestellungseingang nach Marktsegmenten



Bestellungseingang nach Regionen



Nachhaltiges Wachstum der Profitabilität

Flow Equipment verzeichnete ein robustes Umsatzwachstum von 10.9%, wozu alle Geschäftseinheiten beigetragen haben. Dies ist im Wesentlichen zurückzuführen auf eine verbesserte Umsetzung, Investitionen in die Profitabilität und die gelungene Stabilisierung der Lieferkette. Die operationelle Profitabilität stieg um 140 Basispunkte von 6.6% auf 8.0%. Hauptgründe hierfür waren die verstärkte Ausrichtung auf die inflationsbedingte Preisgestaltung, die strikte Kontrolle der betrieblichen Aufwendungen und die verbesserte kommerzielle und operative Exzellenz.

Kennzahlen zur Arbeitssicherheit 2023

Die Division Flow Equipment erzielte 2023 die beste Leistung bei der Arbeitssicherheit seit über 15 Jahren. Der erfreuliche Abwärtstrend bei der Unfallhäufigkeitsrate (AFR) hält an, mit 0.95 gemeldeten Fällen pro Million Arbeitsstunden gegenüber 1.1 Fällen im Vorjahr. Die Schwere der Unfälle (ASR) nahm deutlich ab und betrug 16.9 Ausfalltage pro Million Arbeitsstunden gegenüber 33.3 im Vorjahr.

Die Abteilung beteiligte sich 2023 an einer konzernweiten "Stop Work"-Kampagne, die jedem Mitarbeiter, der ein konkretes Verletzungsrisiko beobachtet, das Recht auf die Arbeitsunterbrechung einräumt. Die Geschäftseinheiten von Flow Equipment haben eine hervorragende, nachhaltige Sicherheitsleistung erbracht, um diese guten Ergebnisse zu erzielen.

Abkürzungen

EBIT: Ergebnis vor Zinsen und Steuern
Die Definition der alternativen Leistungskennzahlen finden Sie unter "Supplementary Information" im Finanzteil (nur in englischer Sprache verfügbar).

Rekordwachstum, steigende Profitabilität

Hinweis: Sofern nicht anders angegeben, basieren alle Veränderungen zum Vorjahr auf organischen Werten (währungs- und akquisitions- und dekonsolidierungsbereinigt).

Die Division Services verzeichnete 2023 das stärkste Wachstum in ihrer nahen Vergangenheit, und baut kontinuierlich ihr Portfolio als der umfassendste Anbieter auf dem Markt aus. Bedingt durch die anhaltend hohen Energienachfrage und die Bemühungen unserer Kunden um Optimierung ihrer Betriebe, stieg der Bestellungseingang um 19.8%, gegenüber 1.6% im Vorjahr. Das Umsatzvolumen erhöhte sich im Berichtsjahr um 14.5%, was zu einem Gesamtanstieg der Profitabilität auf 14.8% führte.

Steigender Umsatz und verbesserte operationelle Effektivität

Die Division Services baut ihr Angebot mithilfe von neuen Technologien und Investitionen in ihrer Service-Infrastruktur weiter aus. Im Berichtsjahr wurde in Deutschland ein neues Servicezentrum eröffnet, um Kunden in Dresden und der weiteren Umgebung besser unterstützen zu können. Umfassende Upgrades gab es auch bei den beiden US-amerikanischen Servicestandorten in Houston und Baton Rouge. Dank dieser Investitionen können wir unseren Kunden schnellere, nachhaltigere und differenziertere Services anbieten.

Eine robuste Marktdynamik im Berichtsjahr und die gute Umsetzung durch die Serviceteams trugen dazu bei, dass die Division mehr Kunden erreichen und ein ausserordentliches Umsatzwachstum erzielen konnte. In Nigeria beispielsweise lieferte die Division Services eine schlüsselfertige Lösung für einen Kompressor, so dass ein langjähriger Pumpen-Kunde sein Serviceangebot auf Turbinen und Motoren erweitern konnte. In Afrika arbeitet die Division auch gemeinsam mit Wasserversorgern an der geplanten Überholung von einigen Dutzend Pumpensystemen in kritischen Wasserinfrastrukturen.

Mithilfe der Retrofitlösungen von Services können die Kunden nicht nur Ausfallzeiten reduzieren und Kosten senken, sondern auch die Nachhaltigkeit verbessern. Für eine schwimmende Produktions- und Lagereinheit (FPSO-Schiff), die in die Nordsee verlegt wird, lieferte die Division kürzlich ein innovatives Retrofit, das den Stromverbrauch der Wasser-Einspritzpumpen reduziert. In China konnten mithilfe einer modularen Nachrüstlösung die Stickoxidemissionen eines Gasturbinenkraftwerks reduziert und Verbesserungen in Hinblick auf Effizienzgewinne, Langlebigkeit und Emissionsreduktion erzielt werden. In Indonesien ermöglichte die Division Services mit kritischen Reparaturen an der Turbine eines Wasserkraftwerks erhebliche Kosteneinsparungen und eine umweltfreundlichere Energiegewinnung.

Kennzahlen Services

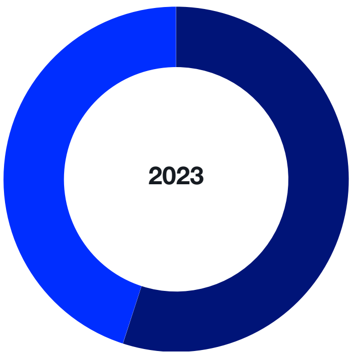
in Mio. CHF	2023	2022	Veränderung in +/–%	+/–% bereinigt [1]	+/–% organisch [2]
Bestellungseingang	1’271.3	1’171.3	8.5	18.5	19.8
Bruttomarge des Bestellungseingangs	38.7%	38.9%			
Auftragsbestand am 31. Dezember	547.3	492.9	11.0		
Umsatz	1’154.8	1’117.0	3.4	12.6	14.5
EBIT [3]	179.6	54.0	> 100		
Operationelles Ergebnis	171.3	159.0	7.8	19.4	20.8
Operationelle Profitabilität	14.8%	14.2%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	4’630	4’559	1.5		

1) Bereinigt um Währungseffekte.
2) Bereinigt um Akquisitions, Dekonsolidierungs- und Währungseffekte.
3) 2022 wurde durch Abschreibungen im Zusammenhang mit Russland und Polen beeinträchtigt.

Starkes Wachstum beim Bestellungseingang

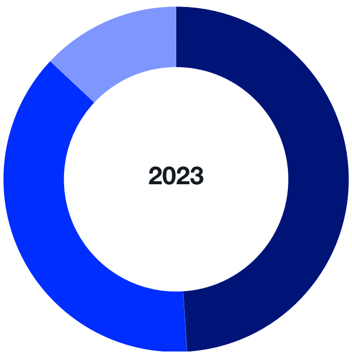
Alle Produktlinien in allen Regionen zeigten 2023 ein robustes Wachstum. Die Region Amerika übertraf die anderen Regionen mit einer Wachstumsrate von 27,9%, was zu einem Gesamtwachstum des Geschäftsbereichs von 19.8% führte. Die Region Asien-Pazifik verbuchte ein Wachstum von 8.7%. Auch die Region Europa, Naher Osten und Afrika konnte ihre Position mit einem Wachstum von 14.3% festigen, wozu insbesondere Ö&G-Kunden im Nahen Osten beitrugen.

Bestellungseingang nach Marktsegment



- 55% Pumpenservice
- 45% übrige Ausrüstung

Bestellungseingang nach Regionen



- 49% Nord-, Mittel- und Südamerika
- 38% Europa, Naher Osten und Afrika
- 13% Asien-Pazifik

Operative Margen auf hohem Niveau weiter verbessert

Der Umsatz stieg im Berichtsjahr um 14.5% auf CHF 1'154.8 Milliarden, wobei alle Regionen zu den verbesserten Margen beitrugen. Die Ergebnisse wurden durch strenge Kostenkontrolle und strategisches Preismanagement weiter unterstützt.

Kennzahlen zur Arbeitssicherheit 2023

Im Jahr 2023 blieb die Unfallhäufigkeitsrate (AFR) des Geschäftsbereichs Services auf einem sehr niedrigen Niveau von 0,9 pro Million Arbeitsstunden (2022: 1,0). Die Unfallschwererate (ASR) sank weiter auf 19 Ausfalltage pro Million Arbeitsstunden, gegenüber 23,7 im Vorjahr.

2023 rief die Division eine Sicherheitsinitiative namens "Stop Work"-Kampagne ins Leben, die konzernweit eingeführt wurde. Die Initiative wurde entwickelt, um das Risikobewusstsein der Mitarbeitenden zu schärfen, die jetzt befugt sind, Arbeiten zu stoppen, wenn sie eine konkrete Verletzungsgefahr erkennen. Verbesserungen bei der Sicherheit im gesamten Unternehmen werden auf diese sehr erfolgreiche Initiative zurückgeführt.

Abkürzungen

EBIT: Ergebnis vor Zinsen und Steuern
Die Definition der alternativen Leistungskennzahlen finden Sie unter “Supplementary Information” im Finanzteil (nur in englischer Sprache verfügbar).

Rekordjahr mit zweistelligem Wachstum

Hinweis: Sofern nicht anders angegeben, basieren alle Veränderungen zum Vorjahr auf organischen Werten (bereinigt um Währungseffekte, Akquisitionen und Veräußerungen/Entkonsolidierungen).

Die Division Chemtech setzte ihren Wachstumskurs im Jahr 2023 fort und erzielte zweistellige Wachstumsraten bei Bestellungseingang und Umsatz. Der Bestellungseingang stieg um 10.5%, bedingt durch ausgewählte Grossprojekte und das gut aufgestellte Produkt- und Komponentengeschäft. Der Umsatz konnte um 15.5% gesteigert werden, bei einer starken Profitabilität in allen Regionen. Die Division setzt ihre Wachstumsstrategie im Geschäftsfeld Renewables fort und unterstützt in diesem Rahmen zirkuläre Herstellungspraktiken, den Einsatz nachhaltiger Werkstoffe sowie Effizienzverbesserungen bei ihren Kunden.

Ausbau von biobasierten Technologien und Kreislaufwirtschaft

Die Division Chemtech investiert weiterhin mehr als 4% ihres Umsatzes in Technologie und Innovation. Im Jahr 2023 bestätigte das Unternehmen seine Führungsposition im Bereich Biopolymere durch die Einführung seiner neuen Verfahrenstechnologie zur Herstellung von Polycaprolacton (PCL), einem biologisch abbaubaren Kunststoff, sowie einer neuen lizenzierten Technologie für die Produktion von umweltfreundlichen Biokunststoff Polylactid (PLA). Diese beiden neuen Biopolymertechnologien SULAC™ und CAPSUL™ werden einen entscheidenden Beitrag bei der Reduzierung von Kunststoffabfall leisten. Mit dem inzwischen eröffneten Forschungs- und Entwicklungszentrum für saubere Technologien in Singapur ist Chemtech damit gut aufgestellt, um die zunehmende Nachfrage nach Trennlösungen sowie nach Lösungen für eine umweltfreundlichere Kreislaufwirtschaft von Kunststoff und für die Dekarbonisierung der Industrie insgesamt zu bedienen.

Mit ihrem breiten Spektrum an Anlagen und Prozesstechnologien, verbunden mit ihrem umfassenden Know-how in Fragen der Systemintegration, versetzt die Division Hersteller in aller Welt in die Lage, die Kosten- und Energieeffizienz zu maximieren, die Qualität ihrer Produkte zu sichern und ihre Emissionen zu reduzieren. Im Berichtsjahr ermöglichte Trenntechnologie von Chemtech die Produktion von qualitativ hochwertigem Biomethanol in Finnland und trug damit zur Reduktion industrieller Treibhausgasemissionen bei. Mithilfe von Stoffaustausch-Technologien und Anlagen der Division Chemtech sollen in Österreich jährlich 50’000 Tonnen CO2 für die weitere Nutzung in der Lebensmittel- und Getränkeindustrie abgetrennt werden, während ihre Trenntechnologie in Belgien die Reinigung von nur schwer rezyklierbaren gebrauchten Kunststoffen zur Wiederverwendung als Chemie-Rohstoff ermöglicht.

Kennzahlen Chemtech

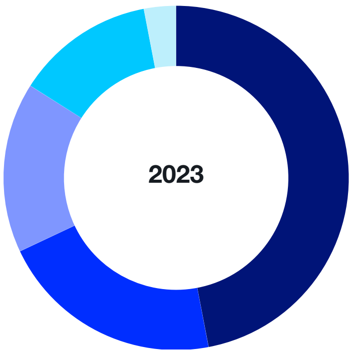
in Mio. CHF	2023	2022	Veränderung in +/–%	+/–% bereinigt [1]	+/–% organisch [2]
Bestellungseingang	842.5	834.9	0.9	7.5	10.5
Bruttomarge des Bestellungseingangs	33.2%	31.7%			
Auftragsbestand am 31. Dezember	521.2	501.7	3.9		
Umsatz	772.5	739.9	4.4	11.3	15.5
EBIT [3]	84.9	38.3	> 100		
Operationelles Ergebnis	95.0	80.0	18.7	28.2	28.5
Operationelle Profitabilität	12.3%	10.8%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	2’849	2’852	–0.1		

1) Bereinigt um Währungseffekte.
2) Bereinigt um Akquisitions, Dekonsolidierungs- und Währungseffekte.
3) 2022 wurde durch Abschreibungen im Zusammenhang mit Russland beeinträchtigt.

Starkes Wachstum beim Bestellungseingang

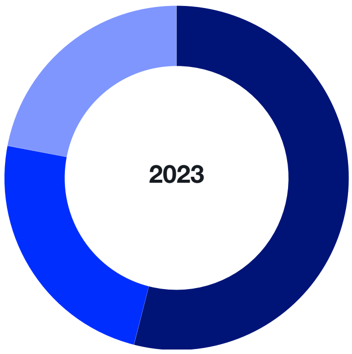
Die Division Chemtech verzeichnete 2023 erneut ein starkes Auftragsplus von 10.5%. Ursächlich hierfür waren Grossaufträge im ersten Halbjahr, insbesondere bei Biokunststoffen, Biokraftstoffen und Prozesstechnologien.

Bestellungseingang nach Marktsegmenten



- 47% Chemie
- 21% Gas und Raffinerien
- 16% Renewables
- 13% Services
- 3% Wasser

Bestellungseingang nach Regionen



- 54% Asien-Pazifik
- 24% Nord-, Mittel- und Südamerika
- 22% Europa, Naher Osten und Afrika

Steigender Umsatz und zunehmende Profitabilität

Beim Umsatz war ebenfalls ein deutlicher Anstieg um 15.5% zu verzeichnen, zu dem alle Geschäftseinheiten der Division beitrugen. Grund hierfür waren ein hoher Auftragsbestand, ein besonders grosser Auftrag im ersten Quartal und eine starke Wirtschaftsdynamik. Die Profitabilität stieg um 150 Basispunkte auf 12.3%, bedingt durch ein starkes Umsatzwachstum, einen günstigen Margenmix über das gesamte Portfolio hinweg und konsequente Kostendisziplin.

Kennzahlen zur Arbeitssicherheit 2023

Die Unfallhäufigkeitsrate (AFR) von Chemtech sank von bereits niedrigen 0,8 Fällen pro Million Arbeitsstunden im Jahr 2022 auf nur 0,34 im Jahr 2023. Angetrieben durch einen robusten Sicherheitsprozess, sank die Unfallschwere (ASR) auf 3,2 Ausfalltage pro Million Arbeitsstunden gesunken, gegenüber einem Höchstwert von 44,0 Tagen im Vorjahr.

Die Abteilung beteiligte sich 2023 an einer konzernweiten "Stop Work"-Kampagne, die jedem Mitarbeiter, der ein konkretes Verletzungsrisiko beobachtet, das Recht auf die Arbeitsunterbrechung einräumt.

Abkürzungen

EBIT: Ergebnis vor Zinsen und Steuern
Die Definition der alternativen Leistungskennzahlen finden Sie unter “Supplementary Information” im Finanzteil (nur in englischer Sprache verfügbar).

Corporate governance

27 Corporate structure and shareholders
28 Capital structure
29 Board of Directors
42 Executive Committee
46 Shareholder participation rights
47 Takeover and defense measures
48 Auditors
49 Risk management
51 Information policy

Corporate structure and shareholders

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

Sulzer Ltd (the company) is subject to the laws of Switzerland, in particular Swiss corporate and stock exchange laws. The company also applies the Swiss Code of Best Practice for Corporate Governance. The information in the following section is set out in the order defined by the SIX Swiss Exchange Directive on Information relating to Corporate Governance (DCG), with subsections summarized as far as possible. Sulzer's consolidated financial statements comply with International Financial Reporting Standards (IFRS), and in certain sections, readers are referred to the financial reporting section of the Sulzer Annual Report 2023. Sulzer reports the compensation of the Board of Directors and the Executive Committee in the compensation report. Unless otherwise indicated, the following information refers to the situation on December 31, 2023. Further information on corporate governance is published at www.sulzer.com/governance.

Corporate structure

The company's business is managed on a divisional basis, and the organizational Group structure corresponds to these reporting segments, which consist of the Flow Equipment division, the Services division and the Chemtech division. The operational corporate structure is shown under note 3 to the consolidated financial statements in the financial reporting section. Sulzer Ltd is the only Sulzer company listed on a stock exchange. It is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891/ISIN CH0038388911). On December 31, 2023, the market capitalization of all outstanding registered shares of Sulzer Ltd was CHF 2'943'137'583. Information on the subsidiaries included in the consolidation can be found under note 36 to the consolidated financial statements. The list comprises all consolidated direct subsidiaries of Sulzer Ltd as well as all further consolidated subsidiaries.

Significant shareholders

According to notifications of Sulzer shareholders, two shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2023. As published on the SIX disclosure platform on May 29, 2018, Tiwel Holding AG held 48.82% of Sulzer's shares. The beneficial owner of these shares is Viktor Vekselberg. Furthermore, The Capital Group Companies, Inc., announced a stake of 3.02% as published on the SIX disclosure platform on August 12, 2022. The shares are directly held by the Capital Research and Management company. For information on shareholders of Sulzer Ltd that have reported shareholdings of over 3% or a reduction of shareholdings below 3%, please refer to the website of the Disclosure Office of SIX Swiss Exchange. For the positions held by Sulzer and information on shareholders, see note 24 to the consolidated financial statements. There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 5%. For information on transactions with related parties, see note 32 to the consolidated financial statements.

Capital structure

Share capital

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

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account; that there is no agreement on the redemption of the relevant shares; and that they bear the economic risk associated with the shares. Nominees shall only be entered in the share register with the right to vote if they meet the following conditions: The nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into a written agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register if the above-mentioned conditions are not met (see also § 6a of the Articles of Association). On December 31, 2023, nine nominees holding a total of 545’761 shares (1.59% of total shares) had entered into agreements concerning their status. No exceptions were granted. All of these shares were entered in the share register with voting rights. Other than these restrictions on nominee voting, there are no transfer restrictions and no privileges under the Articles of Association. A removal or amendment of the nominee voting restrictions requires a shareholders’ resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the restricted share units (RSUs) issued to the members of the Board of Directors, as well as performance share units (PSUs) and RSUs issued to the members of the Executive Committee, are set out under note 31 to the consolidated financial statements and under note 11 to the financial statements of Sulzer Ltd.

Board of Directors

Members of the Board of Directors are elected individually for a term until the end of the next AGM. At the AGM of April 19, 2023, Matthias Bichsel and Hanne Birgitte Breinbjerg Sørensen did not stand for re-election. All other members were re-elected. Suzanne Thoma was elected as Chair of the Board of Directors. In addition, Prisca Havranek-Kosicek, Hariolf Kottmann and Per Utnegaard were elected as new members of the Board of Directors. The Board consists of seven members. Except for Suzanne Thoma, who was also appointed the company's CEO as of November 1, 2022, and became the Executive Chair, none of the members of the Board of Directors has ever held an executive position at Sulzer.

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

Elections and terms of office

The Articles of Association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. Each member is elected individually. The term of office for members of the Board of Directors lasts until the next AGM. At the AGM of April 19, 2023, four Board members were re-elected to the Board of Directors. Matthias Bichsel and Hanne Birgitte Breinbjerg Sørensen did not stand for re-election. Prisca Havranek-Kosicek, Hariolf Kottmann and Per Utnegaard were elected as additional members of the Board of Directors. The Board consists of seven members: one from Cyprus/Israel, one from Norway, one from Austria, one from Germany, one from France/Switzerland and two from Switzerland. Professional expertise and international experience played a key role in the selection of the members. The members of the Board of Directors and their CVs can be viewed below. Details of the former members of the Board of Directors can be found in the Corporate Governance chapter of the company's Annual Report 2022.

According to the Board of Directors and Organization Regulations, no Board member may serve for more than twelve consecutive terms of office. In exceptional circumstances, the Board can extend this limit.

Internal organization

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

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

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

Executive Chair and Lead Independent Director

The Board of Directors appointed its Chair, Suzanne Thoma, as Executive Chair of Sulzer as of November 1, 2022. In this role, she assumed operational management of the company and also took over the responsibilities of the CEO.

Following the 2023 AGM, Markus Kammüller was appointed as Lead Independent Director. The Lead Independent Director ensures, on behalf of the Board of Directors, that the rules of good corporate governance are adhered to in the decision-making of the Board. In this context, the Lead Independent Director may call for and chair meetings of the non-executive Board members whenever required. He also acts as a point of contact for members of the Board to discuss matters regarding the company's corporate governance that they would like to raise in the absence of the Executive Chair.

The Board of Directors and its committees

Board of Directors

Suzanne Thoma Chair	Markus Kammüller Vice-Chair Lead Independent Director Vice-Chair and Lead Independent Director since April 19, 2023	David Metzger	Alexey Moskov
Prisca Havranek-Kosicek since April 19, 2023	Hariolf Kottmann since April 19, 2023	Per Utnegaard since April 19, 2023	

Audit Commitee	Nomination Commitee	Strategy and Sustainability Commitee	Remuneration Commitee	Governance Commitee[1]
Prisca Havranek-Kosicek Chair	Per Utnegaard Chair	Suzanne Thoma Chair	Hariolf Kottmann Chair	Markus Kammüller Chair
David Metzger	Suzanne Thoma	David Metzger	Alexey Moskov	Prisca Havranek-Kosicek
Markus Kammüller	Prisca Havranek-Kosicek	Hariolf Kottmann	Markus Kammüller	Hariolf Kottmann
		Per Utnegaard		

1) Following the AGM 2023, the Board of Directors established the new Governance Committee.

CVs of members of the Board of Directors

Dr. Suzanne Thoma
Executive Chair
Chair of the Strategy and Sustainability Committee
Member of the Nomination Committee

Educational background

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

Other activities and vested interests

- Non-executive member of the Board of Directors, Beckers Group, Germany
- Non-executive member of the Board of Directors, BayWa r.e., Germany
- Vice-Chair of the Board of Trustees, Avenir Suisse Foundation, Switzerland
- Member of the Executive Board, Swissmem Association, Switzerland

Professional background

Suzanne Thoma (Swiss) was elected as a member of Sulzer's Board of Directors in 2021 and as Chair in 2022. In addition, she was appointed Executive Chair of Sulzer as of November 1, 2022. Before joining Sulzer, Suzanne Thoma served as CEO at the International Energy, Engineering and Service company BKW AG in Bern, Switzerland, from 2013 to 2022. Prior to her appointment as CEO of BKW, she was a member of the Group Executive Committee, responsible for the Networks division. Before that, she was Head of the Automotive division for the WICOR Group in Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland.

Earlier in her career, Suzanne Thoma held various management roles in a number of countries at Ciba Specialty Chemicals Ltd. (now BASF).

Markus Kammüller

Vice-Chair of the Board[1]
Lead Independent Director[2]
Chair of the Governance Committee[3]
Member of the Remuneration Committee[4]
Member of the Audit Committee

Educational background

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

Professional background

Markus Kammüller (Swiss) was elected as a member of Sulzer's Board of Directors in 2022 and was appointed Lead Independent Director in 2023. Mr. Kammüller has more than 40 years of experience in various industries and professional services through which he developed a reputation as a strong leader for organizational and technological change across different cultures. He is the Founder and Owner of ExecDelta GmbH, a company specializing in transformation and change-management consulting. Prior to establishing his own business in 2019, he held the position of Global Head of Transformation at BDO International, Brussels (2016 to 2019). Before that, he was a Partner at PwC in the role of EMEA Chief Operating Officer and Global Change Management Leader (2006 to 2016). He also held various managerial positions at IBM Switzerland (2002 to 2006) and PwC Consulting (1996 to 2002), where he was a Partner and acted as Senior Advisor for large listed international corporations. From 1985 to 1996 he held various roles in finance, treasury and risk management at Dow Chemical. From 1978 to 1982 he worked in the credit department of Swiss Volksbank.

1), 2), 3), 4) Since April 19, 2023

David Metzger

Member of the Board
Member of the Audit Committee
Member of the Strategy and Sustainability Committee

Educational background

- MBA, INSEAD, Fontainebleau, France
- Master of Finance (lic. oec. publ.), University of Zurich, Switzerland

Other listed company mandates

- Non-executive member of the Board of Directors, Swiss Steel Holding AG, Switzerland
- Non-executive member of the Board of Directors, medmix AG, Switzerland

Professional background

David Metzger (Swiss/French) was elected as a member of Sulzer's Board of Directors in 2021. He is an experienced investment professional serving a range of international companies in the areas of investment, M&A and portfolio strategy. David Metzger is currently with Liwet Holding AG. Previously, he was Investment Director at the renewable energy fund Good Energies AG (now Bregal Energy, part of COFRA Holding, 2007 to 2011), Senior Manager at Bain & Company (2000 to 2007) and has also worked at Novartis and Morgan Stanley. David Metzger was also a member of the Board of Directors of publicly listed OC Oerlikon from 2016 to 2021, from Italian tech company Octo Telematics SpA from 2014 to (early) 2023, and from Norwegian Solar Energy Company Norsun from 2008 to 2009.

Alexey Moskov
Member of the Board
Member of the Remuneration Committee

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

Other listed company mandates
- Non-executive member of the Board of Directors, OC Oerlikon Corporation AG, Switzerland

Professional background
Alexey Moskov (Cypriot/Israeli) was elected as member of Sulzer’s Board of Directors in 2020. Since 2022, he is the President of the Board of Directors of Liwet Holding AG. Since 2018, Alexey Moskov has been the Executive Chairman of Witel Ltd, Switzerland. Since 2016 he has been a member of the Board of Directors of OC Oerlikon. From 2019 to 2020, Alexey Moskov was a member of the Board of Directors of SCHMOLZ+BICKENBACH AG (now Swiss Steel Holding AG). From 2004 to 2018, he was Chief Operating Officer of Witel AG, Switzerland. Previously, he served as Vice-President and member of the Executive Board at Tyumen Oil company (now TNK-BP), Russia, and as member of the Board of Directors of OAO NGK Slavneft, Russia (1998–2004).

Dr. Prisca Havranek-Kosicek[1]
Member of the Board
Chair of the Audit Committee
Member of the Nomination Committee
Member of the Governance Committee

Educational background
- Ph.D. in Business Administration, Vienna University of Economics and Business, Austria
- Master of Business Administration, Vienna University of Economics and Business, Austria

Other listed company mandates
- CFO, Jenoptik AG, Germany

Professional background
Prisca Havranek-Kosicek (Austrian) was elected as a member of Sulzer’s Board of Directors in 2023. She has more than 20 years of experience in the finance sector, focusing on finance management in large international companies. She is the CFO of Jenoptik AG since April 2023. Until June 2023, she was a member of the Supervisory Board and member of the Audit Committee for Allianz-Elementar Versicherungs-AG, Austria. In 2021 she co-founded Arcadia eFuels, a start-up supporting decarbonization of the aviation industry. In 2019, she joined the industrial goods manufacturer Nilfisk A/S, which she left in 2021 after completing the restructuring. From 2018 to 2019, Prisca Havranek-Kosicek was CFO of Novozymes A/S in Denmark, a listed biotech company. There she was instrumental in repositioning the company's portfolio towards stronger, performance-driven growth. Between 2016 and 2018, Prisca Havranek-Kosicek served as CFO at Kuoni Group in Switzerland. From 2011 to 2016, she worked at the life science company Royal DSM as CFO for the pharma contract manufacturing division in the U.S., as well as the Group Treasurer. She held various positions in leading strategy consulting and M&A assignments, Investor Relations and Finance Planning before that.

1) Since April 19, 2023

Dr. Hariolf Kottmann[1]
Member of the Board
Chair of the Remuneration Committee
Member of the Strategy and Sustainability Committee
Member of the Governance Committee

Educational background
- Ph.D. in Chemistry, University of Stuttgart, Germany

Other activities and vested interests
- Member of the Supervisory Board, Plansee Holding, Austria

Professional background
Hariolf Kottmann (German) was elected as a member of Sulzer's Board of Directors in 2023, bringing broad leadership experience in the roles of CEO and Chairman. As CEO of Clariant International Ltd. (Clariant) from 2008 through 2018, he led the company through highly demanding restructuring phases. Following that, he served as Executive President and later as Chairman of the Board of Directors at Clariant from 2019 until 2021. Before joining Clariant, Hariolf Kottmann was a member of the Executive Committee at SGL Carbon AG (Wiesbaden, Germany) from 2001 to 2008. At SGL Carbon, he held responsibilities for Asia, Eastern Europe, Technology & Innovation, the Graphite Specialties as well as the Carbon Fibers and Composites Businesses. From 1997 to 2001, he ran various businesses as a member of the Executive Committee at Celanese Chemicals Ltd at Summit (NJ), Dallas (TX), USA and Singapore. After completing his Ph.D. in Chemistry at the University of Stuttgart, Hariolf Kottmann began his career at Hoechst AG, (Frankfurt, Germany) in 1985, where he held several positions of increasing seniority in R&D, technology and production, marketing, finance and corporate functions.

1) Since April 19, 2023

Per Utnegaard[1]
Member of the Board
Chair of the Nomination Committee
Member of the Strategy and Sustainability Committee

Educational background
- Bachelor of Science, Business Administration and Marketing, Northern Michigan University, Marquette, USA

Other listed company mandates
- Non-executive member of the Board of Directors, Executive Committee and Risk Management Committee, Saudi Ground Services, Saudi Arabia

Other activities and vested interests
- Non-executive Director, Alvest Holding, France

Professional background
Per Utnegaard (Norwegian) was elected as a member of Sulzer's Board of Directors in 2023. He has over 30 years of experience in strategic management consulting and 20 years of experience as a board member of publicly listed companies. Per Utnegaard has held several international leadership positions in logistics and transportation. Since 2016 he has been focusing on board of director roles in companies such as Alvest (Paris) and Saudi Ground Services (Jeddah). From 2015 to 2016 he served as CEO and Chairman of the Executive Board for Bilfinger SE. He ran Swissport International as CEO and President from 2007 to 2015, where he gained in-depth services experience on a global scale. Before that (2002 to 2005), Per Utnegaard was in charge of the Wholesale division of the pharma and beauty group Alliance Boots Plc. Additionally, he is an acting senior advisor for several stock-listed private equity companies.

1) Since April 19, 2023

Operating principles of the Board of Directors and its committees

All decisions are made by the full Board of Directors. For each application, written documentation is distributed to the members of the Board of Directors prior to the meeting. The Board of Directors and the committees meet as often as required by the circumstances. The Board of Directors meets at least five times per year; the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Sustainability Committee meet at least twice per year and the Governance Committee meets at least once a year. In 2023, the Board held seven meetings, one additional meeting for the constitution of the Board after the AGM and one video/conference call lasting an average of three and a half hours. For further details, see the table below. The CFO and the Group General Counsel or the Secretary of the Board of Directors also generally attend the Board meetings in an advisory role. Other members of the Executive Committee are invited to attend Board meetings as required to discuss the midterm planning, the strategy and the budget, as well as division-specific items (such as large investments and acquisitions). In exceptional cases, external consultants (e.g., legal advisors, management consultants or executive compensation experts) are also invited for the presentation or discussion of specific agenda items in meetings of the Board of Directors or any of its committees.

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

Board of Directors

					Attending meetings of the					
Name	**Nationality**	**Position**	**Entry**	**Elected until**	**Board**	**AC**	**NC**	**SSC**	**RC**	**GC**
Suzanne Thoma	Switzerland	Chair of the Board, Chair SSC, member NC	April 2021	2024	9	-	3	5	1 [1)]	-
Markus Kammüller	Switzerland	Vice-Chair of the Board, Lead Independent Director, Chair GC, member RC, member AC	April 2022	2024	9	5	-	-	3	1
David Metzger	Switzerland / France	Member AC, member SSC	April 2021	2024	9	5	-	5	-	-
Alexey Moskov	Cyprus / Israel	Member RC	April 2020	2024	8	-	-	-	4	-
Prisca Havranek-Kosicek	Austria	Chair AC, member NC, member GC	April 2023	2024	8	4	2	-	-	1
Per Utnegaard	Norway	Chair NC, member SSC	April 2023	2024	8	-	2	4	-	-
Hariolf Kottmann	Germany	Chair RC, member SSC, member GC	April 2023	2024	8	-	-	4	3	1

AC = Audit Committee; NC = Nomination Committee; SSC = Strategy and Sustainability Committee; RC = Remuneration Committee; GC = Governance Committee
1) Attendance of RC meeting in January 2023, when Suzanne Thoma was still a member of the RC prior to the AGM 2023.

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

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

Audit Committee

The Audit Committee (members listed above) assesses the midyear and annual consolidated financial statements and activities of the internal and statutory auditor, including effectiveness and independence, as well as the cooperation between the two bodies. It also assesses the Internal Control System (ICS), risk management and compliance; at least one meeting per year is dedicated to risk management and compliance. The Audit Committee is also charged with discussing the report on non-financial matters, or any other similar report that the Board or the company's management chooses to establish. The CFO, the Group General Counsel, the Head of Group Internal Audit (who is also the Secretary of this committee) and the external auditor-in-charge attend the meetings of the Audit Committee. The Executive Chair may attend the meeting unless advised otherwise by the Head of Internal Audit. In 2023, the Audit Committee held five regular meetings: one in February, two in July, one in September and one in December. The meetings lasted, on average, two hours. The statutory auditor attended all of these meetings. Internal experts, such as the Group General Counsel and the Heads of Group Internal Audit, Group Corporate Finance, Group Accounting, Group IT, Group Compliance and Risk Management, and Group Tax, gave presentations to the Audit Committee in 2023.

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

Nomination Committee

The Nomination Committee (members listed above) assesses the criteria for the election and re-election of Board members and the nomination of candidates for the top two management levels and deals with succession planning. The Executive Chair and the Chief Human Resources Officer attend the meetings of the Nomination Committee. In 2023, three regular meetings were held in January, July and September, lasting an average of one hour. The regulations of the Nomination Committee are available at www.sulzer.com/nc-regulations.

Remuneration Committee

The Remuneration Committee (members listed above) assesses the compensation systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets for the latter) on behalf of the Board of Directors and in accordance with its specifications. It carries out broad-based compensation benchmarks with an international comparison group, supported by studies of consulting firms such as Mercer and Willis Towers Watson, and it scrutinizes the work of internal and external consultants. The members of the Remuneration Committee are elected by the Shareholders' Meeting. In 2023, four regular meetings were held in January, July, September and December, lasting an average of fifty-five minutes. The regulations of the Remuneration Committee can be viewed at www.sulzer.com/rc-regulations.

Strategy and Sustainability Committee

The Strategy and Sustainability Committee (members listed above) advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances and joint ventures), strategic planning, definition of development priorities, and the company's sustainability initiatives and objectives as well as on other relevant public policy matters. In 2023, four regular meetings and one extraordinary meeting took place in January, April, July, September and November, lasting an average of two hours. The regulations of the Strategy and Sustainability Committee can be viewed at www.sulzer.com/ssc-regulations.

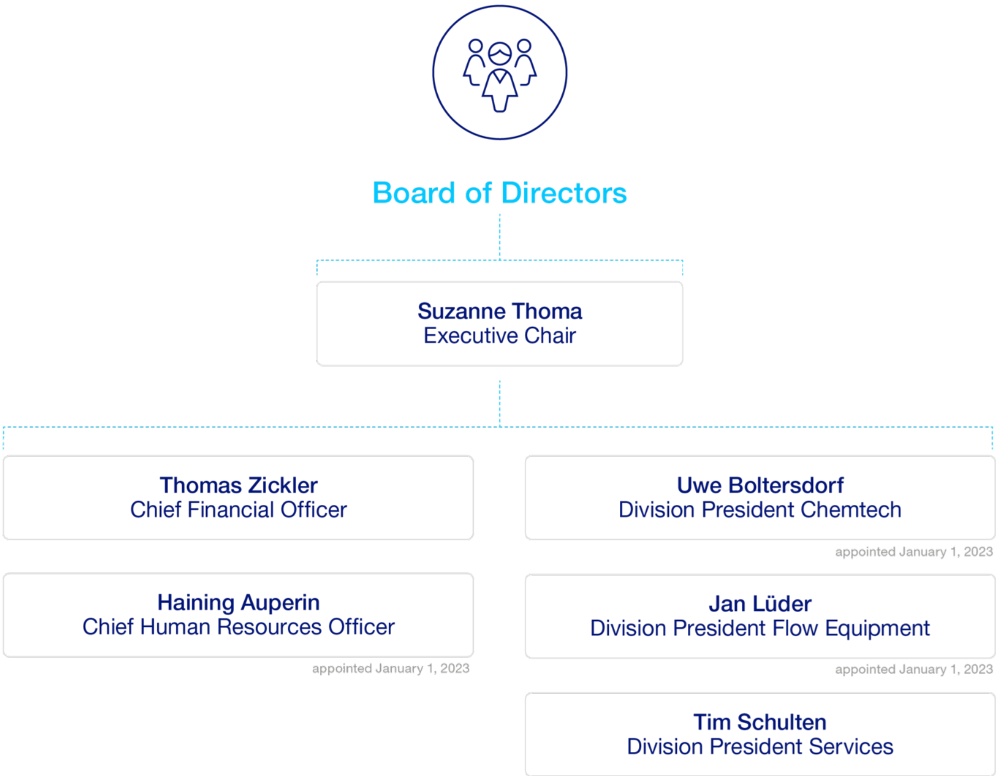
Governance Committee

The Governance Committee (members listed above) advises the Board of Directors with respect to check and balances in the executive chair model, oversees the compliance with the Swiss Code of Best Practice for Corporate Governance as well as legal and regulatory requirements and periodically reviews the principles of corporate governance. In 2023, one meeting took place in December, lasting one hour. The regulations of the Governance Committee can be viewed at www.sulzer.com/gc-regulations.

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

The Board of Directors has largely delegated executive management powers to the Executive Committee. However, it is still responsible for matters that cannot be delegated in accordance with art. 716a CO. These matters include corporate strategy, the approval of midterm planning and the annual budget, as well as key personnel decisions and the preparation of the annual report and the compensation report. Pursuant to art. 964a et seqq. CO, the Board of Directors is also responsible for the report of non-financial matters. Furthermore, the Board of Directors remains responsible for acquisition and divestiture decisions involving a transaction value exceeding CHF 30 million; investments in fixed assets exceeding CHF 15 million; major corporate restructurings; approval of dispute settlements with an impact on operating income of more than CHF 20 million; approval of research and development projects exceeding CHF 10 million, as well as other matters relevant to the company; and decisions that must be made by the Board of Directors by law. The competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the Board of Directors and Organization Regulations at www.sulzer.com/BoD-organizational-regulations.

Management Structure



Information and control instruments

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

Group Internal Audit

Group Internal Audit reports functionally directly to the Chair of the Audit Committee, but administratively to the CFO. Meetings between Group Internal Audit and the statutory auditor take place regularly. They are used to prepare for the meetings of the Audit Committee, to review the interim and final reports of the statutory auditor, and to plan and coordinate internal and external audits. Group companies are audited by Group Internal Audit based on an audit plan that is approved by the Audit Committee. Depending on the risk category, such audits are carried out on a rotational basis either annually or every second, third or fourth year. Group Internal Audit carried out 53 audit assignments (including audit follow-up reviews and internal controls testing) in the year under review.

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

Risk management and compliance

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

Strong values and building up a strong ethical and compliance culture

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

Risk assessment

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

Internal rules and tools

Sulzer has a Code of Business Conduct, which can be viewed in 18 languages at www.sulzer.com/governance (under "Code of Business Conduct"). Every employee of the company (including employees of newly acquired businesses) has to confirm in writing that he or she has read and understood this code, and will comply with it. Every member of the Sulzer Management Group (approximately 80 managers), the heads of the operating companies, the headquarters, regional and local compliance officers as well as the legal entity finance heads must reconfirm this compliance commitment in writing annually.

Rules

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

- Bribery and corruption risks: Sulzer has had a group-wide anti-bribery and anti-corruption program in place since 2010. This program includes a web-based process that addresses the due diligence of intermediaries, a company-wide directive for offering and receiving gifts and hospitalities, and an e-training module (in thirteen languages) to familiarize Sulzer employees with the requirements of the directive.
- Antitrust and anticompetition risks: Sulzer has an antitrust directive addressing behaviors in trade associations in place.
- Export control risks: Employees involved in export activities have to comply with all applicable export and re-export laws and regulations. Sulzer rolled out and implemented its global Trade Control Directive in all legal entities concerned. Every exporting legal entity has an internal control program (ICP) in place that includes processes and defines responsibilities on export control matters and other important requirements to comply with export compliance laws and regulations.
- Further risks (e.g., non-compliance with stock exchange laws and regulations; human resource-related issues; insufficient protection of intellectual property and know-how; violations of privacy and data protection laws; product liability; risk related to environment, quality, safety and health, etc.): Focused rules and processes address these and many other potential risks. Sulzer has processes that ensure compliance with insider laws as well as stock exchange reporting and notification duties. A total of 23 face-to-face sessions were conducted by local Compliance Officers covering 1'865 employees; 13 compliance webinars were conducted by Group Compliance covering 2'864 employees; and 26 export control trainings have been provided.

Tools

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

Organization

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

Awareness building and trainings

Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (new programs are rolled out and existing programs are updated every year), in person or through web conferences. In 2023, Sulzer employees completed 17’932 compliance e-learning courses.

Controls and sanctions

The Group Function Legal supports the audits done by Group Internal Audit following the same audit process. The Group Function Environment, Safety and Health (ESH) organized five external health and safety compliance audits. The results of each of these audits were discussed directly with the responsible managers, and an agreement was reached on any improvements required. Audit actions are reported in a central repository (Group tool) that enables the follow-up and tracking of closures. Any significant issues identified during these audits are included in Group Internal Audit’s reporting package to the Audit Committee. Risks relating to environment, safety and health (ESH) form part of the annual ESH audit plan, which is reported to the Audit Committee once a year. Apart from these formal audits, internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication) were carried out during 2023 and at least nine employees had to leave Sulzer because of violations of Sulzer’s Code of Business Conduct. Others received warnings or faced other disciplinary measures. However, most of the reports received concerned non-material issues.

Continuous improvement

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

Executive Committee

The Executive Committee consists of the Executive Chair, the Chief Financial Officer (CFO), the Chief Human Resources Officer, the Division President Services, the Division President Flow Equipment and the Division President Chemtech. Effective January 1, 2023, Armand Sohet was succeeded by Haining Auperin as Chief Human Resources Officer. Also in January 2023, Torsten Wintergerste was succeeded by Uwe Boltersdorf as Division President Chemtech and Jan Lüder was appointed Division President Flow Equipment.

The Board of Directors delegates executive management powers to the Executive Chair. The Executive Chair delegates the appropriate powers to the members of the Executive Committee (EC). The Division Presidents define and attain business targets for their respective divisions in accordance with group-wide goals. The Board of Directors and Organization Regulations govern, among other things, the transfer of responsibilities from the Board of Directors to the Executive Chair and the EC. There are no management contracts with third parties. None of the Executive Committee members has a contract with a notice period exceeding 12 months. The members of the Executive Committee and their CVs can be viewed below. As mentioned above, Armand Sohet (former Chief Human Resources Officer and Chief Sustainability Officer) and Torsten Wintergerste (former Division President Chemtech) stepped down as members of the Executive Committee as of January 1, 2023, and January 6, 2023, respectively. Details on the former members of the Executive Committee can be found in the Corporate Governance chapter of the company's Annual Report 2022.

CVs of Executive Committee members

Dr. Suzanne Thoma
Executive Chair
Chair of the Strategy and Sustainability Committee
Member of the Nomination Committee

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

Other activities and vested interests
- Non-executive member of the Board of Directors, Beckers Group, Germany
- Non-executive member of the Board of Directors, BayWa r.e., Germany
- Vice-Chair of the Board of Trustees, Avenir Suisse Foundation, Switzerland
- Member of the Executive Board, Swissmem Association, Switzerland

Professional background
Suzanne Thoma (Swiss) was elected as a member of Sulzer's Board of Directors in 2021 and as Chair in 2022. In addition, she was appointed Executive Chair of Sulzer as of November 1, 2022. Before joining Sulzer, Suzanne Thoma served as CEO at the International Energy, Engineering and Service company BKW AG in Bern, Switzerland, from 2013 to 2022. Prior to her appointment as CEO of BKW, she was a member of the Group Executive Committee, responsible for the Networks division. Before that, she was Head of the Automotive division for the WICOR Group in Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland. Earlier in her career, Suzanne Thoma held various management roles in a number of countries at Ciba Specialty Chemicals Ltd. (now BASF).

Thomas Zickler
Chief Financial Officer

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

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

Haining Auperin[1]
Chief Human Resources Officer

Educational background
- Master in Management and Company Policy, Human Resources, Social Development and Employment, Sciences-Po, Paris, France
- Master in Business Management, Capital University of Economics and Business, Beijing, China

Professional background
Haining Auperin (French) was appointed Chief Human Resources Officer and member of the Executive Committee on January 1, 2023. She joined Sulzer in 2016 as Division Head of HR for Flow Equipment and most recently served as Head of Group Human Resources Operations. Before joining Sulzer, Haining Auperin was the Senior Vice President Human Resources Boiler Business for GE Power from 2014 to 2016. Prior to that, she held various senior HR leader positions in different areas within GE, AREVA and Ansaldo.

1) Appointed on January 1, 2023

Uwe Boltersdorf[1]
Division President Chemtech

Educational background
- Ph.D. in Chemical Engineering, Fraunhofer Institute UMSICHT, Oberhausen Germany
- Dip.- Ing. in Chemical Engineering, University of Dortmund, Dortmund, Germany

Professional background
Uwe Boltersdorf (German) was appointed Division President Chemtech and member of the Executive Committee on January 1, 2023. He had joined Sulzer in 2021 as Global Head of Technologies and Operational Excellence for Chemtech. From 2014 to 2021, Uwe Boltersdorf held various management roles at thyssenkrupp Industrial Solutions in the EPC, plant engineering and licensing business, including the Chief Sales Officer role for its chemical plant engineering business (former “Uhde”). Before thyssenkrupp, he served as Head of Group Function Corporate Development for the Lanxess Group (2009-2014), a specialized German chemicals company then active in chemicals, polyamides, rubbers, additives and custom manufacturing for pharma and agrochemicals. Uwe Boltersdorf gained his international experience by assignments at Lanxess and Bayer (2001 to 2014) in process engineering, production and site management as well as in strategy functions and M&A processes.

1) Appointed on January 1, 2023

Jan Lueder[1]
Division President Flow Equipment

Educational background
- Master's Degree in Electrical Engineering, Technical University of Berlin, Germany

Professional background
Jan Lueder (German) joined the Sulzer Executive Committee as Division President Flow Equipment on January 1, 2023. Before joining Sulzer, Jan served since 2019 as CEO of the Mining Technologies business unit for thyssenkrupp, which has been acquired by FLSmidth in August 2022. Prior to this assignment, he held the position of CEO of thyssenkrupp Industrial Solutions South East Asia in Singapore. In parallel, he held the position of CEO of thyssenkrupp South East Asia (since 2018). Previously, Jan worked for almost 20 years, from 1995 to 2015, for Siemens in the Power Plant and Industrial Solutions business in several long-term assignments in Asia, including Malaysia, from 1997 to 2000, and China, from 2011 to 2015, and within Europe (Finland from 2002 to 2004 and Austria from 2008 to 2011).

1) Appointed on January 1, 2023

Tim Schulten
Division President Services

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

Other activities and vested interests
- Non-executive Director, JCB Group Holdings Sàrl, Switzerland

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

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

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

Shareholder participation rights

Restrictions and representation of voting rights

Only nominees are subject to restrictions (see “Capital structure” section of this corporate governance report). No exceptions were granted during the reporting year, and no measures to remove these restrictions are planned. According to the Articles of Association, a shareholder may be represented at a Shareholders’ Meeting by a legal representative, through a written power of attorney to any other proxy, who does not need to be a shareholder or the independent proxy. Shares held by a shareholder may be represented by only one person.

Statutory quorum

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

Convocation of the Shareholders’ Meeting and submission of agenda items

The applicable regulations regarding requests for the convocation of an extraordinary Shareholders’ Meeting are in line with the applicable law regarding the convocation of a Shareholders’ Meeting. Shareholders representing at least 0.5% of the share capital may submit items for inclusion on the agenda of a Shareholders’ Meeting. Such submissions must be requested in writing at least two months prior to the meeting and must specify the agenda items and proposals of the shareholder concerned (see also § 12 of the Articles of Association).

Entry in the share register

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

Independent proxy

At the AGM of April 19, 2023, Proxy Voting Services GmbH was elected as the independent proxy for a term of office extending until completion of the next AGM. The Articles of Association do not contain rules on the granting of instructions to the independent proxy and the electronic participation in the Shareholders’ Meeting which deviate from the default Swiss law.

Takeover and defense measures

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

Auditors

The statutory auditor is elected at the AGM for a one-year term of office. KPMG AG has been acting as the statutory auditor since 2013. As of the financial year 2020, the acting external auditor-in-charge is Rolf Hauenstein. The external auditor-in-charge is replaced every seven years. The Audit Committee is in charge of supervising and monitoring the statutory auditor, and it reports to the Board of Directors (see "Audit Committee" section in the chapter "Board of Directors" of this corporate governance report). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The external auditor-in-charge and his deputy were invited to attend meetings of the Audit Committee.

In 2023, the statutory auditor was present at all five Audit Committee meetings. The Audit Committee or its Chair meets separately with the Head of Group Internal Audit and the statutory auditor at least once a year to assess (among other things) the independence of the internal and statutory auditors. The Audit Committee evaluates the work done by the statutory auditor based on the documents, reports and presentations provided by the statutory auditor, as well as on the materiality and objectivity of their statements. To do so, the Audit Committee gathers the opinion of the CFO. The Audit Committee reviews the fee paid to the auditor regularly and compares it with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO and approved by the Board of Directors. Further information on the auditor, in particular the auditor's fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed under note 33 to the consolidated financial statements. All advisory services provided outside the statutory audit mandate (essentially, consulting services related to audit and accounting as well as legal and tax advisory services) are compliant with the applicable independence rules.

Risk management

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

Risk	Risk exposure	Main loss controls
External and markets		
Market assessment	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	— Continuous monitoring and assessment of market developments — Systematic midrange planning based on market developments and expectations
Geopolitical shocks	A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.	— Monitoring of exposure in critical countries — Monitoring of debt situation of countries and banks — Continuous monitoring of raw material prices and inflation indicators — Sulzer's global presence mitigates the effect of geopolitical shocks
	48.82% of Sulzer's shares are beneficially owned by Viktor F. Vekselberg, who is listed as a Specially Designated National by the US Office of Foreign Assets Control and subject to sanctions in other jurisdictions including the Ukraine, Japan, the UK, Australia, New Zealand, Canada and Poland. These sanctions and possible future sanctions in further countries could result in negative media coverage, damage to Sulzer's reputation and impair existing business relationships with customers, suppliers, banks or other business partners as well as Sulzer's ability to win future business.	— Continuous monitoring of international sanctions environment and seeking of advice by reputable sanctions law firms — Maintaining and enhancing a robust sanctions compliance program
Strategic		
Innovation	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	— A phased process, technical risk manageability assessments and key performance indicators to ensure quality of the development — Product development council with strong focus on strategic plans and digitalization — Prototypes and own test beds to test and validate products before market release — Core technology council for research of basic technology — Focus on innovation with strategic customers — Innovation and ideation projects — Implementation of an expert development program for key critical resources
Environment, Social and Governance (ESG)	ESG-related regulations could change. Stakeholder expectations related to ESG commitments could change. Not meeting regulatory requirements could result in fines, limit access to financing, impact banking channels and result in loss of business and reputational damages	— Board Strategy and Sustainability Committee extended to cover ESG and sustainability — Setting of clear ESG-related objectives and progress tracking — ESG initiatives driven by EC including different group and business functions covering regulatory requirements and supply chain due diligence — ESG assessments in business projects
Operational		
Attraction and retention	Failure to attract, retain and develop people could lead to a lack of critical skills and knowledge, which hinders both daily operations and growth potential.	— Ensuring that Sulzer's people and performance efforts are anchored to the company's values and behaviors — Ongoing feedback through employee opinion survey "Voice of Sulzer" — Robust internal communications strategy — Ongoing engagement in workshops and collaborative activities — Visibility and access to creating development experiences and opportunities — Consistent approach to salary grading and benchmarking
Health and safety	An unsafe working environment could lead to harm to people, reputational damage, fines as well as liability claims and could have a serious economic impact.	— Health and safety directives, guidelines, programs (e.g. Safe Behavior Program) and training — OHSAS 18001 and ISO 45001 certifications — Monthly health and safety controlling and regular audits, systematic risk assessments — Global network of health and safety officers
Environmental	Environmental damage could lead to harm to people and nature, reputational damage, fines as well as liability claims and could have a serious economic impact.	— Mitigation in comprehensive environmental due diligence (EDD) projects for acquisitions and divestitures — Elimination of environmentally damaging substances through Prohibited Substances List — Sulzer sustainability strategy that defines key targets in view of climate change

Compliance	Non-compliant or unethical behavior could lead to reputational damage, fines and liability claims.	— Active fostering of high ethical standards by tone from the top and middle management — Continuous monitoring and assessment of potential exposures — Continuous monitoring of regulatory environment — Sulzer Code of Business Conduct and a number of supporting regulations (e.g. anticorruption, antitrust, trade control) — Third-party due diligence process — Global and centrally led organization of compliance and trade compliance officers — Compliance training (incl. e-learning) and audits — Sensitive country list with escalation process and project-specific compliance assessments in high-risk countries — Speak-up culture, compliance hotline and sanction checks
Quality of products and services	Failure of high-quality products and services could lead to repeated work, reputational damage or liability claims.	— Quality management and assurance systems tailored to specific businesses — Third-party accreditation — Competence development programs and training of employees — Test centers
Business interruptions	Business interruption, such as a fire, could cause damage to people, property and equipment. It could have a negative effect on the ability to operate at the affected site. Security incidents could impact the IT infrastructure or systems, which could result in a business interruption. Business interruption caused by pandemic-related lockdowns or bottlenecks in logistics centers, lack of transport capacities, lack of raw materials or electronic parts or increased demand could have an impact on operations and supply chains and thus could lead to serious economic impact.	— Crisis and emergency management systems (at global and local level) including close monitoring of incidents which could impact supply chains — Risk management policy and guidelines — Global manufacturing footprint and global procurement — IT security standards, measures and incident response team — Disaster recovery plans in IT — Enhancement of IT infrastructure to cope with higher data volumes during extended remote work
Financial		
Financial markets	The unpredictability of financial markets may have a negative effect on Sulzer's financial performance and its ability to raise or access capital.	— Group financial policy — Foreign exchange risk policy — Trading loss limits for financial instruments
Credit	Credit risks arising from financial institutions and from customers could have a negative effect on Sulzer's financial performance and ability to operate.	— For financial institutions, only parties with a strong credit quality are accepted (third-party rated) — Individual risk assessment of customers with large order volumes — Continuous monitoring of country risks
Liquidity	Failure in liquidity risk management may have a negative effect on Sulzer's financial performance and its ability to operate.	— Continuous liquidity monitoring — Management of liquidity reserves at group level — Cash flow program to optimize liquidity and cash flow management — Efficient use of available cash through cash pooling

Information policy

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

The official means of publication of the company is the Swiss Official Journal of Commerce. In accordance with § 38 of the Articles of Association, the Board of Directors is at any time authorized to designate further publication organs. Notices by the company to the shareholders may, at the election of the Board of Directors, be validly published in the Swiss Official Journal of Commerce or in a form that can be evidenced by text. The address of the company's main registered office is Neuwiesenstrasse 15, 8401 Winterthur.

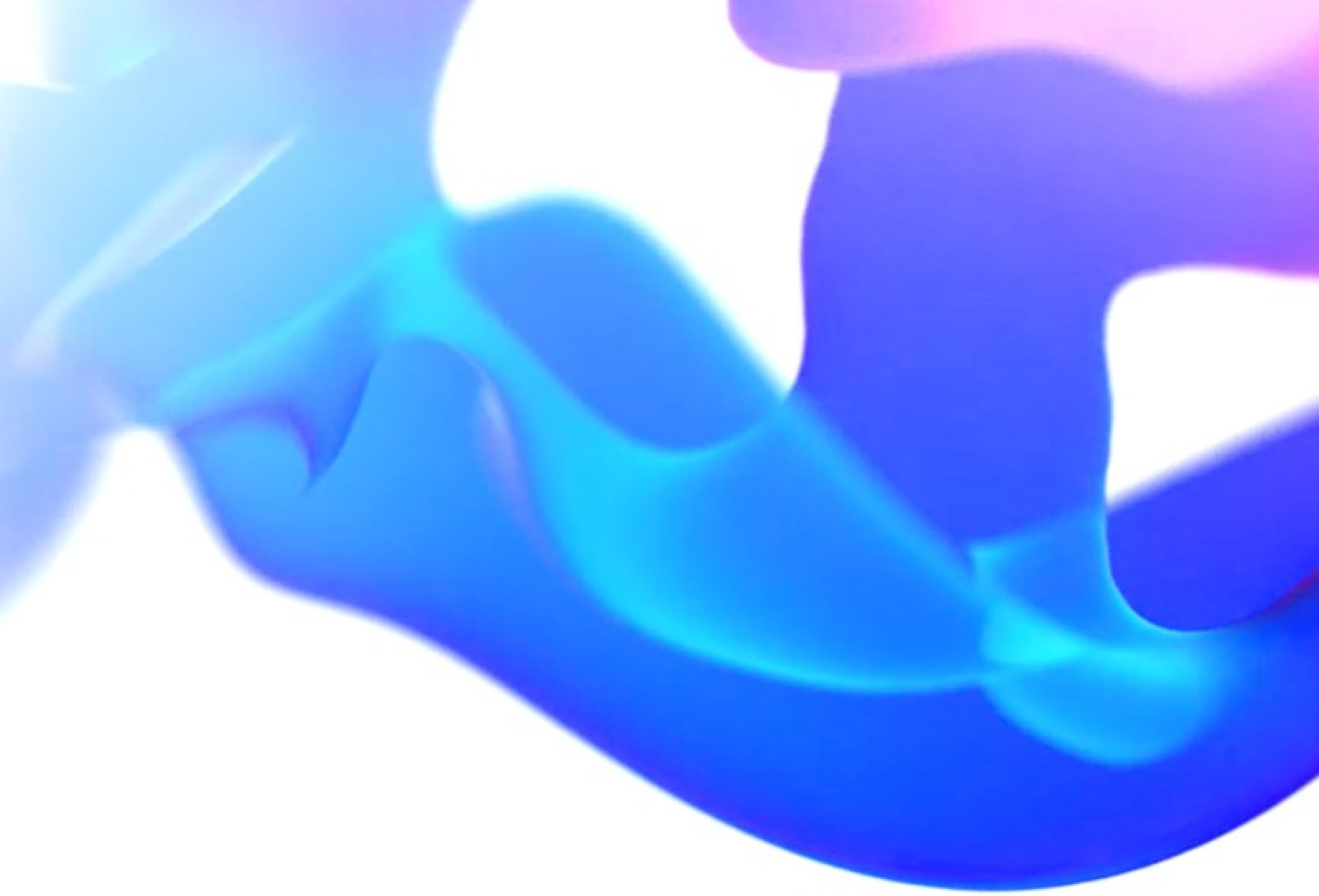
Key dates in 2024

- February 22: Annual results 2023
- April 15: Order intake Q1 2024
- April 16: AGM 2024
- July 25: Midyear results 2024
- October 15: Order intake nine months 2024

These dates and any changes can be viewed at www.sulzer.com/events. Media releases (sent via email) can be subscribed to at www.sulzer.com/subscribe. Other information is available on the Sulzer website www.sulzer.com, or by contacting Investor Relations: https://www.sulzer.com/en/about-us/investors – Thomas Zickler, Chief Financial Officer, +41 52 262 33 15.

General blackout periods

Generally, and regardless of whether any inside information exists or not, pursuant to Sulzer Ltd's Securities Trading Regulation, the trading in Sulzer Ltd securities is prohibited for (a) the members of the Board of Directors and the Executive Committee, (b) any staff reporting to any member of the Executive Committee that have access to inside information, (c) members of Group Finance, Group Mergers and Acquisitions, Group Legal, Corporate Communications and Investor Relations and any relevant staff with access to inside information, including members of the Sulzer Management Group, and (d) any external advisors having access to inside information in connection with Sulzer Ltd's financial reporting or the preparation of an offering memorandum during the following periods: (i) the periods starting on January 1 and July 1 until and including the trading day of the public releases of the respective full-year or half-year reports (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight) and (ii) the periods starting on April 1 and October 1 until and including the trading day of the public releases of the respective quarterly results (if published prior to 7:30 a.m.) or the following trading day (if published between 5:40 p.m. and midnight). Under certain circumstances (in particular in case of personal hardship), the company may allow exceptions to a blackout period upon reasoned request by an employee or concerned Board member, provided that such employee is not in possession of any inside information. Such exceptions must be issued in writing with a copy to the employee's or Board member's file. No such exceptions were granted in 2023.



Compensation report

54 Letter to the shareholders
56 Compensation governance and principles
60 Compensation architecture for the CEO and Executive Committee members
71 Compensation of the Executive Committee for 2023
76 Compensation architecture for the Board of Directors
78 Compensation of the Board of Directors for 2023
81 Auditor’s report

Paying for sustainable performance

Winterthur, February 22, 2024

Dear Shareholder,

On behalf of the Board of Directors and of the Remuneration Committee (RC), I am pleased to present the 2023 Compensation Report.

2023 has been a successful year for Sulzer. Against the backdrop of a challenging global economic and political development, Sulzer has met and exceeded its ambitious financial objectives. In July 2023, Sulzer even significantly increased its guidance to the financial markets. Also, these even more ambitious targets were met in the upper range of the target bands. In 2023, Sulzer conducted an in-depth analysis of markets, economic and technology trends. Sulzer mapped these trends with its portfolio of products, services, and competencies. As a result, Sulzer has decided to adjust its strategy for the entire Group. This evolved strategy is comprised of two main pillars:

- Organic growth in current and adjacent markets with a focused portfolio of products and services
- Operational excellence across the entire Sulzer value chain

Our Executive Committee has come together in the current set-up relatively recently and mainly through internal promotions. The total compensation for 2023 was entirely within the maximum compensation approved by the AGM 2022. Given our excellent performance in 2023, coupled with our ambition for Growth and Excellence through our “Sulzer 2028” strategy, we must ensure that our Executive Committee is compensated in a way that both rewards and stimulates growth and value creation for our shareholders. This entails reflecting on growing roles and responsibilities as well as evolving market trends, consistent with company performance.

The AGM 2023 elected three new members to the Board of Directors and increased the total number of members on the Board of Directors to seven. The Board of Directors work focused on accompanying and guiding the strategy work as well as assuring the correct oversight and governance. Sulzer established a Governance Committee chaired by Markus Kammüller, who also serves as Lead Independent Director (LID). The Remuneration Committee is chaired by myself.

The compensation paid to the Board of Directors in 2023 was well below the amounts previously approved by the AGM for the period in question. Going forward, the Board of Directors compensation should also stay aligned with the ambitious long-term growth and value creation for shareholders.

Following an excellent 2023 and based on a clear and compelling strategy that points Sulzer toward a prosperous future, I thank you on behalf of Sulzer, the Board of Directors and the Remuneration Committee for your continued trust in our company.

Sincerely,

Dr. Hariolf Kottmann
Chairman
Remuneration Committee

Compensation governance and principles

Compensation policies and plans at Sulzer reward performance, sustainable growth and long-term shareholder value creation. The compensation programs are competitive, internally equitable, straightforward and transparent. The compensation report is prepared in accordance with the Articles 732 et seqq. of the Swiss Code of Obligations (CO), the SIX Swiss Exchange Directive on Information relating to Corporate Governance (RLCG) and the principles of the Swiss Code of Best Practice for Corporate Governance.

Remuneration Committee

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

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

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

The table below describes the levels of authority:

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

As per the Remuneration Committee Regulations of Sulzer Ltd, the RC consists of at least three members who are elected individually and annually by the Shareholders' Meeting for the period of office until the following ordinary AGM. The majority of its members are non-executive and independent. At the AGM 2023, Alexey Moskov was re-elected as a member of the RC and Markus Kammüller was elected as a member for the first time. The new Chair of the RC is Dr. Hariolf Kottmann, who was also elected for the first time at the AGM 2023. Hanne Birgitte Breinbjerg Sørensen (former Chairwoman) and Suzanne Thoma (former member) did not stand for re-election.

In addition to Markus Kammüller being appointed as Lead Independent Director, there were several other new Board appointments at the AGM held on April 19, 2023. Dr. Prisca Havranek-Kosicek was elected as a member of Sulzer's Board of Directors, serving as the Chair of the Audit Committee. Per Utnegaard was elected as a member of Sulzer's Board of Directors and serves as the Chair of the Nomination Committee.

In 2023, Haining Auperin was appointed Chief Human Resources Officer and member of the Executive Committee, Jan Lüder joined as Division President Flow Equipment and Uwe Boltersdorf as Division President Chemtech.

The RC meets as often as the business requires, but at least twice a year. In 2023, the RC held four regular meetings that were attended by all members. This year's agenda topics included a review of the Executive Committee's compensation system, a review of the short-term incentive (STI) and performance share plan (PSP) performance targets and payouts, an analysis of the benchmark used for the Executive Committee and a continuation of the gender pay transparency study.

The CEO, the Chief Human Resources Officer and the Secretary of the Board of Directors, who also acts as the Secretary of the RC, generally attend the meetings. The Chair of the Committee may invite other executives to join the meeting in an advisory capacity, when appropriate. That said, neither the CEO nor any other executive participates in the meetings, or parts thereof, when their own remuneration and/or performance is discussed.

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

The RC engaged third party advisor HCM International for the analysis of the benchmarks used for the Executive Committee and retained hkp///group for advisory services on the compensation report.

Shareholders' role and engagement

The company is keen to receive shareholders' feedback on the compensation policy and programs, and it already began the practice of holding an advisory vote on the compensation report in 2011. Additionally, the company regularly meets with shareholders and shareholder representatives to understand their perspectives. At the AGM 2023, along with changes to the governance structure, shareholders approved the maximum aggregate compensation amounts for the Board of Directors for the 2023/24 term and for the Executive Committee for the 2024 financial year.

Furthermore, the Articles of Association, which are also subject to shareholders' approval, govern the principles of compensation. Minor changes were made to the Articles of Association at the AGM 2023, as on June 19, 2020, the Swiss Parliament adopted a revision of the corporate law, which entered into force on January 1, 2023 (subject to certain transitional provisions). Swiss corporations are obliged to revise their corporate documents to comply with the new law by the end of 2024. Thus, Articles 30 and 32 of the Articles of Association were slightly amended:

- Article 30 does not foresee an authorization anymore to increase already approved compensation (supplemental amount) for internal promotions within the Executive Committee.
- Article 32 now caps the maximum non-compete compensation in connection with post-contractual non-compete agreements with members of the Executive Committee (max. average total annual compensation over the last three financial years).

The Articles of Association in the current version include the following provisions related to compensation:

- Principles of compensation (Article 31): Non-executive members of the Board of Directors receive fixed compensation only. Members of the Executive Committee receive fixed and variable compensation elements. The variable compensation may include short-term and long-term variable compensation components. These are governed by performance metrics that take into account the performance of the Sulzer group (Group) or parts of it targets in relation to the market, other companies or comparable benchmarks and/or individual targets, as well as strategic and/or financial objectives. Compensation may be paid in the form of cash, shares, options, financial instruments or similar units, in kind, in services or in other types of benefits.
- Shareholders' binding vote on compensation (Article 29): the Shareholders' Meeting shall approve the maximum aggregate amount of compensation for the Board of Directors for the next term of office and the maximum aggregate amount of compensation for the Executive Committee for the following financial year. The Board of Directors shall submit the annual compensation report to an advisory vote at the AGM.
- Additional amount for members of the Executive Committee hired after the vote on compensation by the Shareholders' Meeting (Article 30): if the maximum aggregate amount of compensation as approved by the Shareholders' Meeting is insufficient, up to 40% of the maximum aggregate amount of compensation approved for the Executive Committee shall be available, without further approval, for the compensation of the members of the Executive Committee who were appointed after the AGM.
- Agreements with members of the Board of Directors and the Executive Committee (Article 32): Employment agreements for a fixed term may have a maximum duration of one year. Renewal is possible. Employment agreements for an indefinite term may have a termination notice period not exceeding twelve months. Non-compete agreements for the time after termination of an employment agreement are permissible and shall not exceed one year. Their consideration shall

not exceed the last total annual target compensation such member was entitled to prior to termination and shall in no event exceed the average of the compensation of the last three financial years.

- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Executive Committee (Article 34): the company may not grant loans or credits to members of the Board of Directors or the Executive Committee.

Activities in other organizations

Based on Article 734e of the Swiss Code of Obligations, the compensation report must specify the functions of the members of the Board of Directors and the Executive Committee in other enterprises with an economic purpose within the meaning of Article 626 para. 2 no. 1 of the Swiss Code of Obligations (external mandates). For this, the following table includes the name of the entity and the function exercised.

Member	Name of company	Function
Dr. Suzanne Thoma	Beckers Group, Germany	Non-executive member of the Board of Directors
	BayWa r.e., Germany	Non-executive member of the Board of Directors
Markus Kammüller	ExecDelta GmbH, Switzerland	Sole Partner
	Gonset Holding SA, Switzerland	Vice-Chair of the Board of Directors
	Gonset Immeubles d'Entreprises SA, Switzerland	Vice-Chair of the Board of Directors
David Metzger	Swiss Steel Holding AG, Switzerland	Non-executive member of the Board of Directors
	medmix AG, Switzerland	Non-executive member of the Board of Directors
	Mealda Capital GmbH, Switzerland	Sole Partner
	Sopeli Capital GmbH, Switzerland	Sole Partner
Alexey Moskov	OC Oerlikon Corporation AG, Switzerland	Non-executive member of the Board of Directors
	Witel AG, Switzerland	Executive Chairman
	Liwet Holding AG, Switzerland	President of the Board of Directors
	A2-Link AG, Switzerland	Sole Board Member
Dr. Prisca Havranek-Kosicek	Jenoptik AG, Germany	Chief Financial Officer
	Jenoptik North America Inc., United States of America	Director
Dr. Hariolf Kottmann	Plansee Holding, Austria	Member of the Supervisory Board
	HK1 AG, Switzerland	Sole member of the Board of Directors
Per Utnegaard	Saudi Ground Services, Saudi Arabia	Non-executive member of the Board of Directors
	Alvest Holding, France	Non-executive Director
	Per Utneegard & Partners GmbH, Switzerland	Sole Partner
Tim Schulten	JCB Group Holdings Sàrl, Switzerland	Director

In each individual case, the number of mandates does not exceed the maximum number of external mandates specified in Article 33 of the Articles of Association.

Compensation architecture for the CEO and members of the Executive Committee

Compensation principles

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

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

Method of determining compensation: benchmarking

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

The RC regularly reviews the composition of the peer group, which is applied for benchmarking purposes. In 2021, the RC decided to revise the composition of the peer group from 2022 onward. Twelve industrial companies of comparable size and complexity from the Swiss market form the peer group, which is used to derive the compensation levels for the Board of Directors and for the Executive Committee. The revised benchmarking peer group maintained its comparability requirements and was utilized again in 2023.

Compensation benchmark

The comparison group reflects Sulzer’s ambitious business strategy:

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

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

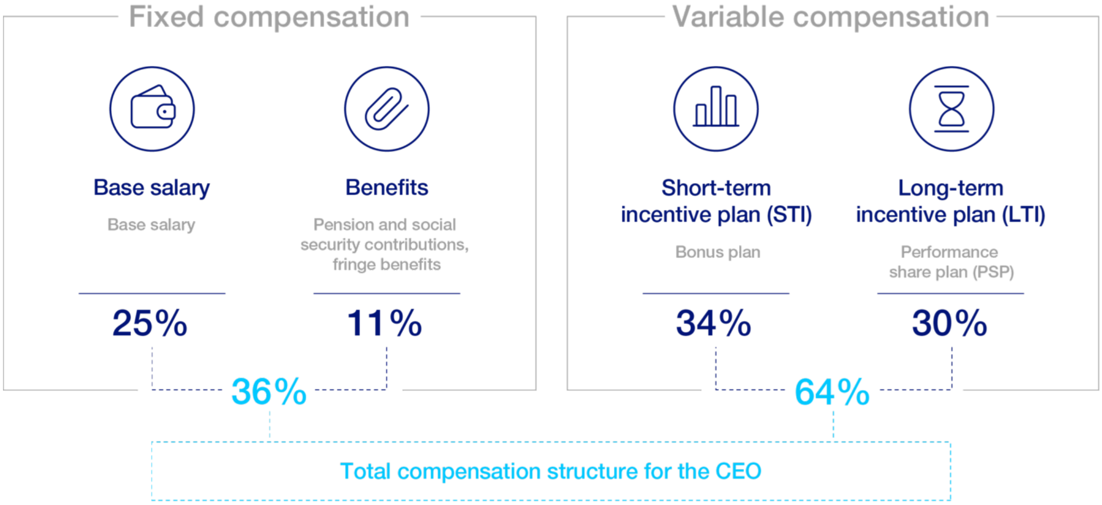
The compensation of the Executive Committee is governed by internal regulations such as the bonus plan, the performance share plan and the benefits plans. The compensation of the Executive Committee is reviewed by the RC annually and, if necessary, is adjusted and approved by decision of the Board of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

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2023)	Share ownership guidelines (SOG)
Main parameters	Function, level of role, profile of incumbent (skill set, experience)	Pension and social security contributions, fringe benefits	Achievement of annual financial and individual objectives	Achievement of long-term, company-wide objectives, share price performance	Level of role
Key drivers	Labor market, internal job-grading	Protection against risks, labor market, internal job-grading	Operational profit, sales, operational operating net cash flow (operational ONCF)	Operational profit growth, operational return on average capital employed adjusted (operational ROCEA), relative total shareholder return (TSR)	Share price performance
Link to compensation principles	Competitive compensation	Competitive compensation	Pay-for-performance, strategy alignment	Pay-for-performance, strategy alignment, ownership	Ownership
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSUs) settled in shares	Obligation to privately invest in Sulzer shares and to hold these shares until the end of the service period
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee. Malus and clawback provisions implemented.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1’000’000 for the CEO and between CHF 330’000 and CHF 400’000 for the other members of the Executive Committee (EC). Vesting payout percentage is capped at 250% and vesting value is capped at CHF 2’500’000 for the CEO and at CHF 825’000 to CHF 1’000’000 for the other members of the EC. Malus and clawback provisions implemented.	CEO: 200% of base salary. Other members of the Executive Committee: 100% of base salary.
Grant/vesting/payment date	Monthly	Monthly and/or annually	March of the following year	Grant: April 1, 2023 Vesting: December 31, 2025 Share delivery: March 2026	–
Performance period	–	–	1 year (January 1, 2023–December 31, 2023)	3 years (January 1, 2023–December 31, 2025)	–

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

Overview of compensation elements



In line with the pay-for-performance principle, a significant portion of the compensation of the CEO (64%) and the other members of the Executive Committee (55%) consists of variable incentives based on performance. Furthermore, the compensation structure ensures sustainable long-term growth, as the long-term variable compensation makes up the largest portion of the target total compensation (see “Overview of compensation elements”).

Base salary (fixed, in cash)

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

Benefits

Members of the Executive Committee participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan that covers annual earnings up to CHF 152’868 per year and a supplementary plan in which income over this limit, up to the ceiling set by law, is insured (including variable cash remuneration). The contributions are age-related and are shared between the employer and the employee.

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

Bonus (variable, performance-based, cash remuneration)

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

Performance appraisal

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

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

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

For each financial objective, the following parameters are set upfront:

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

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

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

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

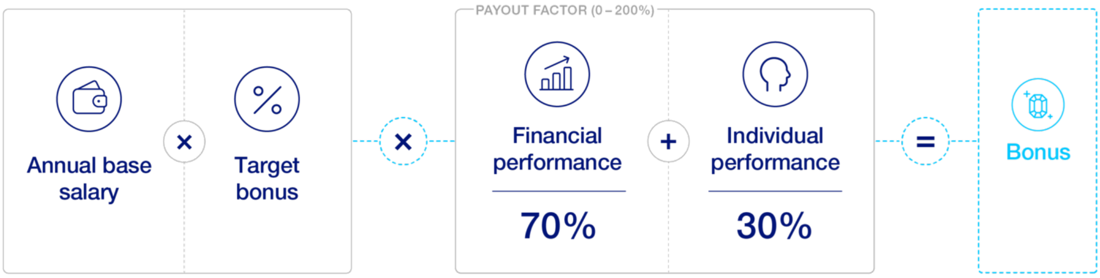
The “Sustainable Sulzer” criteria used to assess the performance of the Executive Committee are structured around the three major priorities of Sulzer’s sustainability plan, namely minimizing our carbon footprint, enabling a low-carbon society and engaging our employees and communities. The following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

Minimizing carbon footprint	Enabling a low-carbon society	Engaging employees and communities
— Reduction of greenhouse gas emissions	— Increase in the energy efficiency of our products	— Employee engagement
— Energy consumption, and the supply of decarbonized energy to our production sites	— Solutions to treat wastewater and provide access to water for populations that are deprived of it	— Employee accident rate
— Reduction of waste and the recycling of our waste	— Low-carbon or decarbonized solutions such as the conversion of waste into eco-fuel or the capture of CO2	— Number of employees enrolled in the health and wellbeing program, Sulzer in Motion
	— Circular economy	

Sulzer strives for transparency in relation to pay-for-performance. However, further disclosure of financial and individual objectives may create a competitive disadvantage to the company, because it would reveal sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each financial objective as well as the aggregated individual performance at the end of the performance cycle (see chapter “Compensation of the Executive Committee for 2023”).

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

Bonus calculation



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

Strategic link of bonus plan

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

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

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

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

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

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

Peer group for relative TSR performance of PSP 2023

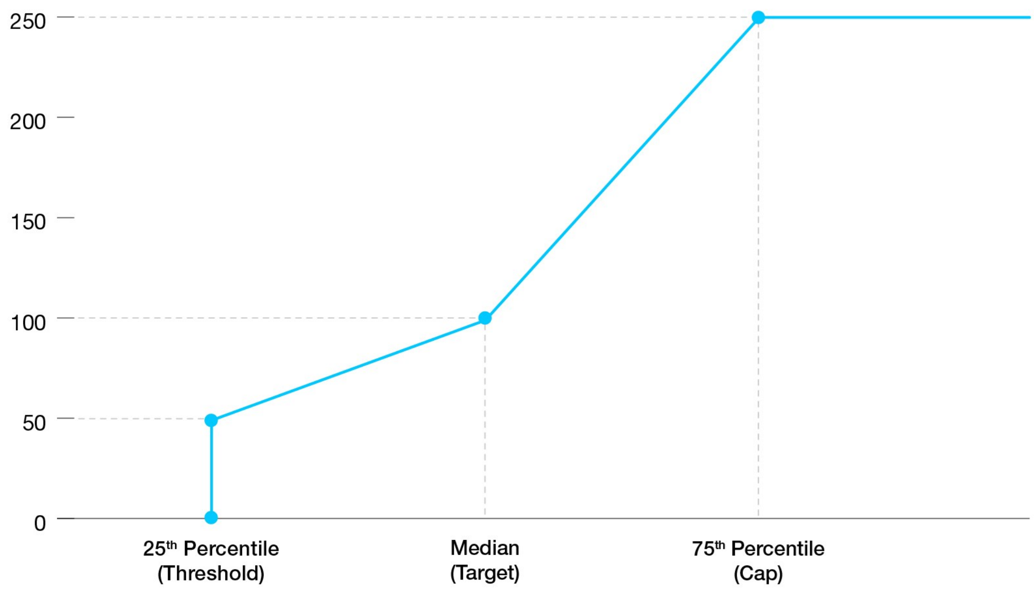
International peers

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

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

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

2023: Relative TSR – Industrial peers



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

Disclosure of internal financial objectives may create a competitive disadvantage for the company because it could reveal sensitive insights into Sulzer's strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each performance criterion at the end of the performance cycle based on the following metric (see chapter "Compensation of the Executive Committee for 2023").

Level of performance

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

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

Number of PSUs vested

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

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

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

Strategic link of PSP

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

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

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

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

Malus and clawback

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

Further information on share-based compensation can be found in note 31 to the consolidated financial statements of Sulzer.

Contracts of employment

The employment contracts of the Executive Committee are of undetermined duration and have a notice period of a maximum of 12 months. Members of the Executive Committee are not entitled to any impermissible severance or change of control payments. The employment contracts of the Executive Committee may include non-competition agreements with a time limit of one year and with maximum total compensation not to exceed the last total annual target compensation such member was entitled to prior to termination and in no event to exceed the average of the compensation of the last three financial years.

Shareholding requirements

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

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

Compensation of the Executive Committee for 2023

Compensation of the Executive Committee: overview

In 2023, the Executive Committee received a total compensation[1] in the amount of kCHF 13’808 (previous year: kCHF 11’536). Of this total, kCHF 8’599 was in base salary and bonus (previous year: kCHF 6’947); kCHF 3’231 was in PSUs (previous year: kCHF 2’822); kCHF 1’892 was in pension and social security contributions (previous year: kCHF 1’649), and kCHF 86 was in other payments (previous year: kCHF 118).

Regarding the combined role of the Chair of the Board of Directors and the CEO, there are no changes for 2023. The remuneration of both roles remains separate in accordance with market practice, except that Suzanne Thoma participates in the Performance Share Plan as CEO only and is not granted any RSUs as Chair of the Board of Directors.

1) Including compensation granted to former members of the Executive Committee.

Compensation of the Executive Committee

	2023						
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	Base salary	Bonus [2]	Other [3]	Pension and social security contributions [4]	Total cash-based compensation	Estimated value of share-based grant under the performance share plan (PSP) [5]	Total (incl. conditional share-based grant)
Highest single compensation, Suzanne Thoma, CEO	950	1’314	-	395	2’659	1’129	3’788
Total Executive Committee [1]	**4’201**	**4’398**	**86**	**1’892**	**10’577**	**3’231**	**13’808**

1) Out of the total sum, kCHF 1’827 was paid to one former member of the Executive Committee, Frédéric Lalanne, former CEO. In 2023, no other payments to former members of the Executive Committee were made.
2) Expected bonus for the performance years 2023, to be paid out in the following year (accrual principle).
3) Other consists of schooling allowances, tax services and child allowances.
4) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2023 (PSP).
5) Represents the full fair value of the PSUs granted under the PSP in 2023. PSUs granted in 2023 had a fair value of CHF 88.38 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSUs is based on the three-month weighted average share price before the grant date (CHF 78.26 per PSU for April 2023 grants), the disclosed fair values are calculated on the grant dates by using market value approaches, which typically leads to differences between the original grant value according to the compensation architecture and the disclosed fair market values.

2022

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

1) The total Executive Committee compensation for 2022 includes the compensation of Frederic Lalanne, Division President Flow Equipment since January 2019 until February 2022, CEO since February 2022 until October 2022; Suzanne Thoma, CEO since November 2022; Thomas Zickler, CFO since May 2022; Tim Schulten, Division President Services since January 2022; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016 until December 2022; Greg Poux-Guillaume, CEO since December 2015 until February 2022; Jill Lee, CFO since April 2018 until April 2022; and Daniel Bischofberger, Division President Services since September 2016 until February 2022.
2) Expected bonus for the performance year 2022, to be paid out in the following year (accrual principle).
3) Other consists of schooling allowances, tax services and child allowances.
4) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2022 (PSP).
5) Represents the full fair value of the PSUs granted under the PSP in 2022, respectively. PSUs granted in 2022 had a fair value of CHF 84.69 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSUs is based on the three-month weighted average share price before the grant date (CHF 78.84 per PSU for April 2022 grants), the disclosed fair values are calculated on the grant dates by using market value approaches, which typically leads to differences between the original grant value according to the compensation architecture and the disclosed fair market values. Suzanne Thoma received a pro-rata grant of PSU in November 2022.

No severance payments were issued to members of the Executive Committee in either the current reporting year or the prior year. No compensation was granted to any related parties of the members of the Executive Committee in the current reporting year or the prior year.

As of December 31, 2023, and December 31, 2022, there were no outstanding loans or credits granted to the members of the Executive Committee, former members of the Executive Committee or related parties.

The total compensation[1] of kCHF 13’808 awarded to the members of the Executive Committee for the 2023 financial year is within the maximum aggregate compensation amount of kCHF 17’500 that was approved by the shareholders at the AGM 2022.

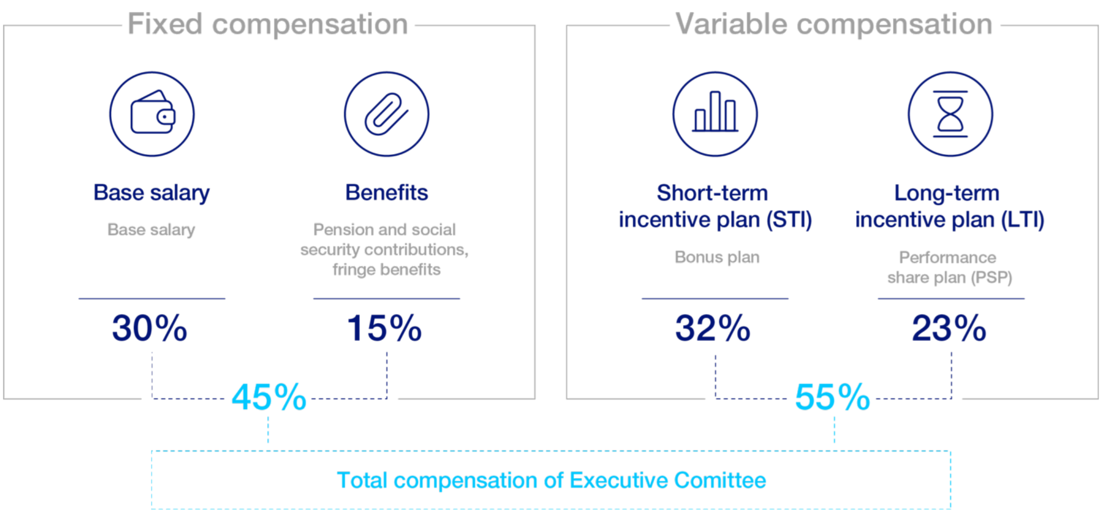
1) Including compensation granted to former members of the Executive Committee.

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

In the following, we elaborate further on how the relevant business performance impacted the variable compensation models of our Executive Committee. More detailed information about Sulzer’s operational and strategic performance in 2023 can be found in the financial report.

a) Total compensation and pay for performance ratio

Total compensation of Executive Committee



In 2023, the Executive Committee received total compensation in the amount of kCHF 13’808 (previous year: kCHF 11’536). This was an overall increase of 19.7% from the previous year, resulting in part from changes in the Executive Committee members but mainly driven by the increase in financial and individual performance. This is especially highlighted by the increase of the average overall bonus payout from 109.7% in 2022 to 143.1% in 2023.

For the entire active Executive Committee, the variable component amounted to between 116.4% and 181.7% of the fixed component (base salary, other, pension and social security contributions). This pay-for-performance relation reflects Sulzer’s high-performance orientation. Further, it represents the company’s strong emphasis on aligning the interests of the Executive Committee and the shareholders to create long-term shareholder value and profitable growth. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

In 2022, the RC made adjustments to the bonus due to the closure of sites in Poland from sanctions and the abandonment of operations in Russia. As of September 2, 2023, our two entities in Poland have been removed from the Polish sanctions list, allowing us to resume our direct business activities. Therefore, no adjustments to the bonuses were made in 2023.

The financial component of the bonus for 2023 ranged from 128.2% to 160.4% of targeted payout (on average 153.8%), thanks also to a high level of achievement of individual objectives. The financial performance at the group level was as follows:

KPI	Weighting	Payout factor
Sales	25%	119%
Operational profitability	25%	156%
Operational ONCF	20%	200%
Total	**70%**	**155%**

The individual performance ranged from 90% to 150%.

In aggregate, the financial and individual performance translated into an overall bonus payout factor ranging from 122.7% to 153.7% (on average 143.1%) for the members of the Executive Committee.

c) Long-term incentive (PSP)

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

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

The PSP framework (apart from the specific performance targets for each grant cycle), eligibility and grant entitlement remained unchanged in 2023 compared to previous years. The relevant key performance indicators (KPIs) were operating income before restructuring, amortization, impairments and non-operational items (operational profit), operational return on average capital employed adjusted (operational ROCEA) and relative total shareholder return (TSR) over the three-year measurement period from 2021 to 2023.

Over this three-year period, Sulzer grew its operational profit, demonstrating strong resilience by overcoming the COVID related challenges during these years, the exit from the Russian market and the supply chain disruptions in 2022, but also by leveraging the market momentum in 2023. This performance resulted in an achievement factor of 250%, compared to the original PSP target set by the Board of Directors.

Operational ROCEA also reported an achievement factor of 250%, improved to a continued high average over the three-year period, on the back of the improved profitability and the well managed capital employed.

Together with a relative TSR achievement factor of 220%, which compared Sulzer’s share price development against international peers over the PSP 2021 measurement period, the resultant total payout factor is 235% for the PSP 2021.

The payout factor results and respective weighting are as follows:

KPI	Weighting	Payout factor
Operational profit growth	25%	250%
Operational ROCEA	25%	250%
Relative TSR	50%	220%
Total	**100%**	**235%**

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

Shareholdings of the members of the Executive Committee

As of the end of 2022 and 2023, the members of the Executive Committee held the following shares, share-based instruments or options in the company:

Shareholdings at December 31, 2023

				2023
	Sulzer shares	**Share units under vesting in equity plan**		
	Sulzer shares [1]	Performance share units (PSU) 2021	Performance share units (PSU) 2022	Performance share units (PSU) 2023
Executive Committee	**11'114**	**4'264**	**14'362**	**36'548**
Suzanne Thoma, CEO	2'559	-	2'120	12'778
Thomas Zickler, CFO	3'402	1'212	5'074	5'112
Haining Auperin, CHRO	5'153	1'364	1'142	4'217
Tim Schulten, Division President Services	-	1'212	5'074	5'112
Jan Lüder, Division President Flow Equipment	-	-	-	5'112
Uwe Boltersdorf, Division President Chemtech	-	476	952	4'217

1) Total shares in all individual accounts, collected through the Corporate Governance Questionnaire. No related parties own any shares.

Shareholdings at December 31, 2022

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

No member of the Executive Committee held any options.

Compensation architecture for the Board of Directors

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

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

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

The amount of compensation for the Chairwoman and for the other members of the Board of Directors is determined based on the relevant compensation benchmarks. The list of companies is the same peer group as listed under the Compensation benchmark of the members of the Executive Committee. The compensation reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them, and the expected time required to fulfill their duties. The ongoing Board compensation structure and amounts are described in the table below:

Annual compensation of the Board of Directors[1]

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

1) Compensation for the period of service (from AGM to AGM).
2) The Chairperson of the Board of Directors does not receive additional remuneration for committee activities.

The members of the Board of Directors are compensated for their service during their term of office (from AGM to AGM). The cash compensation is paid in quarterly installments for Board members and monthly installments for the Chairperson; the expense lump sum is paid out in December and the RSUs are granted once a year. The number of RSUs is determined by dividing the fixed grant value by the volume-weighted average share price of the last ten trading days before the grant date, which is the date of the AGM when they are elected. One-third of the RSUs vest on March 25 of each year following the grant date. If this date falls on a weekend, they vest on the immediately following weekday.

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

Compensation of the Board of Directors for 2023

Compensation of the Board of Directors: overview

In 2023, the Board of Directors received total compensation in the amount of kCHF 2’283 (previous year: kCHF 2’340). Of this total, kCHF 1’231 was in the form of cash fees (previous year: kCHF 1’152); kCHF 780 was in RSUs (previous year: kCHF 905) and kCHF 272 was in the form of social security contributions (previous year: kCHF 283).

The total Board compensation paid in 2023 was 2.4% lower than in 2022. This is mainly driven by the Chairwomen not receiving RSUs due to her dual role. The aggregate Board compensation was below the maximum aggregate compensation for the Board, which was approved at the AGM 2023.

The portion of compensation delivered in RSUs ranged between 89% and 139% of the cash compensation of the members of the Board of Directors. The RSUs are subject to a staged three-year vesting period.

Compensation of the Board of Directors

				2023
thousands of CHF	Cash fees [3]	Restricted share unit (RSUs) plan [4]	Social security contributions [5]	Total
Board of Directors	**1’231**	**780**	**272**	**2’283**
Suzanne Thoma, Chair of the Board of Directors, Chair of the Strategy & Sustainability Committee and Member of the Nomination Committee	420	-	55	475
Markus Kammüller, Lead Independent Director, Vice-Chair of the Board of Directors, Chair of the Governance Committee, Member of the Remuneration Committee and Member of the Audit Committee	174	155	44	373
Alexey Moskov, Member of the Remuneration Committee	90	125	30	245
David Metzger, Member of the Audit Committee and Member of the Strategy & Sustainability Committee	140	125	37	302
Per Utnegaard, Chair of Nomination Committee and Member of Strategy & Sustainability Committee [1]	94	125	30	249
Hariolf Kottmann, Chair of the Remuneration Committee, Member of Strategy & Sustainability Committee and Member of the Governance Committee [1]	109	125	32	266
Prisca Havranek-Kosicek, Chair of the Audit Committee, Member of Nomination Committee and Member of the Governance Committee [1]	128	125	34	287
Hanne Birgitte Breinbjerg Sørensen [2]	42	-	6	48
Matthias Bichsel [2]	34	-	4	38

1) Member of the Board of Directors since AGM 2023.
2) Member of the Board of Directors until AGM 2023.
3) Disclosed gross.
4) RSU awards granted in 2023 had a fair value of CHF 77.0509 at grant date. The amount represents the full fair value of grants made in 2023. Suzanne Thoma will not receive RSUs while participating in the PSP as CEO.
5) The amount includes mandatory social security contributions on the cash fees and estimated contributions on the RSU (based on their fair value at grant) and includes both the employer and employee contributions paid by the company on behalf of the Board members.

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

1) Member of the Board of Directors since AGM 2022.
2) Member of the Board of Directors until AGM 2022.
3) Disclosed gross.
4) RSU awards granted in 2022 had a fair value of CHF 77.8203 at grant date. The amount represents the full fair value of grants made in 2022.
5) The amount includes mandatory social security contributions on the cash fees and estimated contributions on the RSU (based on their fair value at grant) and includes both the employer and employee contributions paid by the company on behalf of the Board members.

At the 2022 and 2023 AGMs respectively, shareholders approved a maximum aggregate compensation amount of kCHF 2'984 for the Board of Directors. The table below shows the reconciliation between the compensation that was/will be paid out for the two periods of office and the maximum aggregate compensation amounts approved by the shareholders.

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

thousands of CHF	Compensation earned during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2023–AGM 2024	2023	Jan 1, 2023 to 2023 AGM	Jan 1, 2024 to 2024 AGM	2023 AGM to 2024 AGM	2023 AGM	2023 AGM
Board (total)	**2'283**	**307**	**363**	**2'339**	**2'984**	**78.4%**
AGM 2022–AGM 2023	2022	Jan 1, 2022 to 2022 AGM	Jan 1, 2023 to 2023 AGM	2022 AGM to 2023 AGM	2022 AGM	2022 AGM
Board (total)	**2'340**	**388**	**307**	**2'259**	**2'984**	**75.7%**

As of December 31, 2023, and December 31, 2022, there were no outstanding loans or credits granted to the members of the Board of Directors, former members of the Board of Directors or related parties.

In 2023 and 2022, respectively, no compensation was granted to former members of the Board of Directors or related parties.

Shareholdings of the members of the Board of Directors

As of the end of 2023 and 2022, the members of the Board of Directors held the following shares, share-based instruments or options in the company:

Shareholdings at December 31, 2023

			2023
	Sulzer shares 1)	Restricted share units (RSU)	Total share awards and shares
Board of Directors	**9’320**	**17’430**	**26’750**
Suzanne Thoma	2’559	2’886	5’445
Markus Kammüller	536	3’085	3’621
Alexey Moskov 2)	2’114	3’295	5’409
David Metzger	1’736	3’295	5’031
Per Utnegaard	1’375	1’623	2’998
Hariolf Kottmann	1’000	1’623	2’623
Prisca Havranek-Kosicek	-	1’623	1’623

1) Total shares in all individual accounts, collected through the Corporate Governance Questionnaire.
2) In addition, as collected through the Corporate Governance Questionnaire, Mr. Moskov’s related parties own 2’217 Sulzer shares.

Shareholdings at December 31, 2022

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

No member of the Board of Directors held any options.

KPMG

Report of the Statutory Auditor

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Sulzer Ltd (the Company) for the year ended December 31, 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) contained in the sections "Activities in other organizations", "Compensation of the Executive Committee: overview", "Shareholdings of the members of the Executive Committee", "Compensation of the Board of Directors: overview" and "Shareholdings of the members of the Board of Directors" of the Compensation Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the enclosed Compensation Report complies with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the sections "Activities in other organizations", "Compensation of the Executive Committee: overview", "Shareholdings of the members of the Executive Committee", "Compensation of the Board of Directors: overview" and "Shareholdings of the members of the Board of Directors" in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

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

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

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

Board of Directors’ Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor’s Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

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

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

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

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

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Miriam von Gunten
Licensed Audit Expert

Zurich, February 21, 2024

Financial reporting

85 Consolidated financial statements
85 Consolidated income statement
86 Consolidated statement of comprehensive income
87 Consolidated balance sheet
88 Consolidated statement of changes in equity
90 Consolidated statement of cash flows
0 Notes to the consolidated financial statements
177 Auditor’s report
183 Supplementary information
0

191 Financial statements of Sulzer Ltd
191 Balance sheet of Sulzer Ltd
192 Income statement of Sulzer Ltd
193 Statement of changes in equity of Sulzer Ltd
194 Notes to the financial statements of Sulzer Ltd
200 Proposal of the Board of Directors for the appropriation of the available profit
201 Auditor’s report

Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2023	2022
Sales	**3, 20**	3’281.7	3’179.9
Cost of goods sold		–2’197.1	–2’240.3
Gross profit		**1’084.6**	**939.6**
Selling and distribution expenses		–323.7	–317.0
General and administrative expenses		–370.6	–363.0
Research and development expenses	**10**	–70.8	–66.4
Net impairment release / (loss) on contract assets and trade accounts receivable		0.9	–39.9
Other operating income / (expenses), net	**11**	9.2	–42.1
Operating income (EBIT)		**329.7**	**111.4**
Interest and securities income	**12**	18.3	9.7
Interest expenses	**12**	–30.3	–27.3
Other financial income / (expenses), net	**12**	–10.3	16.0
Share of profit / (loss) of associates and joint ventures	**17**	–3.2	–2.7
Income before income tax expenses		**304.3**	**107.0**
Income tax expenses	**13**	–73.8	–79.0
Net income		**230.5**	**28.0**
– thereof attributable to shareholders of Sulzer Ltd		229.1	28.6
– thereof attributable to non-controlling interests		1.3	–0.6
Earnings per share (in CHF)			
Basic earnings per share	**25**	6.76	0.85
Diluted earnings per share	**25**	6.67	0.83

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2023	2022
Net income		**230.5**	**28.0**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	**29**	8.3	–7.5
Currency translation differences		–146.0	–60.3
Total of items that may be reclassified subsequently to the income statement		**–137.7**	**–67.8**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit plans, net of tax	**9**	128.8	–75.5
Equity investments at FVOCI – net change in fair value, net of tax	**18**	0.6	–11.0
Total of items that will not be reclassified to the income statement		**129.3**	**–86.5**
Total other comprehensive income		**–8.3**	**–154.3**
Total comprehensive income for the period		**222.1**	**–126.2**
- thereof attributable to shareholders of Sulzer Ltd		221.6	–125.5
- thereof attributable to non-controlling interests		0.6	–0.7

Consolidated balance sheet

December 31

millions of CHF	Notes	2023	2022
Non-current assets			
Goodwill	14	637.9	676.9
Other intangible assets	14	196.8	234.3
Property, plant and equipment	15	348.2	360.5
Lease assets	16	93.2	90.1
Associates and joint ventures	17	54.7	41.8
Other non-current financial assets	18	38.4	28.5
Defined benefit assets	9	170.5	1.3
Non-current receivables		1.2	1.0
Deferred income tax assets	13	144.9	149.9
Total non-current assets		**1’685.9**	**1’584.2**
Current assets			
Inventories	19	495.1	522.4
Current income tax receivables		30.4	28.3
Advance payments to suppliers		86.8	64.4
Contract assets	20	430.1	466.1
Trade accounts receivable	21	540.8	585.5
Other current receivables and prepaid expenses	22	123.4	128.7
Current financial assets	18	2.3	14.0
Cash and cash equivalents	23	974.7	1’196.3
Total current assets without disposal group		**2’683.5**	**3’005.6**
Assets of disposal group held for sale		–	30.4
Total current assets		**2’683.5**	**3’036.0**
Total assets		**4’369.5**	**4’620.2**
Equity			
Share capital	24	0.3	0.3
Reserves		1’095.0	1’023.9
Equity attributable to shareholders of Sulzer Ltd		**1’095.4**	**1’024.3**
Non-controlling interests		3.2	4.4
Total equity		**1’098.6**	**1’028.6**
Non-current liabilities			
Non-current borrowings	26	795.2	1’043.9
Non-current lease liabilities	16	69.0	67.2
Deferred income tax liabilities	13	83.2	53.0
Non-current income tax liabilities	13	2.7	2.7
Defined benefit obligations	9	127.3	122.2
Non-current provisions	27	46.7	58.2
Other non-current liabilities		1.2	1.3
Total non-current liabilities		**1’125.3**	**1’348.6**
Current liabilities			
Current borrowings	26	261.1	311.4
Current lease liabilities	16	23.9	22.4
Current income tax liabilities	13	44.1	30.0
Current provisions	27	145.3	155.9
Contract liabilities	20	451.0	382.3
Trade accounts payable		367.7	440.8
Other current and accrued liabilities	28	852.4	874.7
Total current liabilities without disposal group		**2’145.6**	**2’217.5**
Liabilities of disposal group held for sale		–	25.4
Total current liabilities		**2’145.6**	**2’242.9**
Total liabilities		**3’270.8**	**3’591.5**
Total equity and liabilities		**4’369.5**	**4’620.2**

Consolidated statement of changes in equity

January 1 – December 31

		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, 2023		**0.3**	**1'777.7**	**–42.9**	**–4.1**	**–706.7**	**1'024.3**	**4.4**	**1'028.6**
Comprehensive income for the period:									
Net income			229.1				229.1	1.3	230.5
- Cash flow hedges, net of tax	**29**	–	–	–	8.3	–	8.3	–	8.3
- Remeasurements of defined benefit plans, net of tax	**9**	–	128.8	–	–	–	128.8	–	128.8
- Equity investments at FVOCI – net change in fair value, net of tax	**18**	–	0.6	–	–	–	0.6	–	0.6
- Currency translation differences		–	–	–	–	–145.3	–145.3	–0.7	–146.0
Other comprehensive income		–	129.3	–	8.3	–145.3	–7.6	–0.7	–8.3
Total comprehensive income for the period		**–**	**358.5**	**–**	**8.3**	**–145.3**	**221.6**	**0.6**	**222.1**
Transactions with owners of the company:									
Acquisition of non-controlling interests without a change in control	**4**	–	–22.4	–	–	0.0	–22.4	–0.4	–22.8
Transactions with non-controlling interests	**24**	–	–	–	–	–	–	–1.1	–1.1
Contribution from medmix	**24**	–	0.3	–	–	–	0.3		0.3
Allocation of treasury shares to share plan participants		–	–27.2	27.2	–	–	–		–
Purchase of treasury shares	**24**	–	–	–20.9	–	–	–20.9		–20.9
Share-based payments	**31**	–	11.6	–	–	–	11.6		11.6
Dividends	**24**	–	–118.9	–	–	–	–118.9	–0.3	–119.2
Equity as of December 31, 2023	**24**	**0.3**	**1'979.5**	**–36.7**	**4.2**	**–852.0**	**1'095.4**	**3.2**	**1'098.6**

January 1 – December 31

		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, 2022		**0.3**	**1'967.7**	**–51.0**	**3.3**	**–646.5**	**1'273.8**	**5.5**	**1'279.3**
Comprehensive income for the period:									
Net income			28.6				28.6	–0.6	28.0
- Cash flow hedges, net of tax	**29**	–	–	–	–7.5	–	–7.5	–	–7.5
- Remeasurements of defined benefit plans, net of tax	**9**	–	–75.5	–	–	–	–75.5	–	–75.5
- Equity investments at FVOCI – net change in fair value, net of tax	**18**	–	–11.0	–	–	–	–11.0	–	–11.0
- Currency translation differences		–	–	–	–	–60.2	–60.2	–0.2	–60.3
Other comprehensive income		–	–86.5	–	–7.5	–60.2	–154.1	–0.2	–154.3
Total comprehensive income for the period		**–**	**–57.9**	**–**	**–7.5**	**–60.2**	**–125.5**	**–0.7**	**–126.2**
Transactions with owners of the company:									
Disposal of non-controlling interests without a change of control		–	–0.4	–	–	–0.0	–0.4	0.8	0.4
Capital increase non-controlling interests		–	–	–	–	–	–	0.5	0.5
Contribution from medmix	**24**	–	0.4	–	–	–	0.4	–	0.4
Transaction costs	**24**	–	–0.7	–	–	–	–0.7	–	–0.7
Allocation of treasury shares to share plan participants		–	–27.6	27.6	–	–	–	–	–
Purchase of treasury shares	**24**	–	–	–19.5	–	–	–19.5	–	–19.5
Share-based payments	**31**	–	14.9	–	–	–	14.9	–	14.9
Dividends	**24**	–	–118.7	–	–	–	–118.7	–1.6	–120.3
Equity as of December 31, 2022	**24**	**0.3**	**1'777.7**	**–42.9**	**–4.1**	**–706.7**	**1'024.3**	**4.4**	**1'028.6**

Consolidated statement of cash flows

January 1 – December 31

millions of CHF	Notes	2023	2022
Cash and cash equivalents as of January 1, as per balance sheet		**1’196.3**	**1’505.4**
Cash and cash equivalents classified as held for sale		28.6	–
Cash and cash equivalents as of January 1		**1’224.9**	**1’505.4**
Net income		230.5	28.0
Interest and securities income	12	–18.3	–9.7
Interest expenses	12	30.3	27.3
Income tax expenses	13	73.8	79.0
Depreciation, amortization and impairments	14, 15, 16	108.2	159.3
Income from disposals of tangible and intangible assets , net	11	–0.5	–5.5
Changes in inventories		–17.0	–59.8
Changes in advance payments to suppliers		–19.6	–0.4
Changes in contract assets		–11.4	–60.3
Changes in trade accounts receivable		15.8	–82.4
Changes in contract liabilities		100.9	86.9
Changes in trade accounts payable		–46.1	34.4
Changes in employee benefit plans		–4.1	–7.6
Changes in provisions		–4.7	–14.0
Changes in other net current assets		–22.7	45.4
Other non-cash items		20.4	0.2
Interest received		18.3	9.3
Interest paid		–25.9	–24.6
Income tax paid		–65.6	–86.5
Total cash flow from operating activities		**362.2**	**119.2**
Purchase of intangible assets	14	–6.1	–8.7
Proceeds from the sale of intangible assets	14	–	0.0
Purchase of property, plant and equipment	15	–59.5	–61.2
Proceeds from the sale of property, plant and equipment	15	4.6	9.0
Acquisitions of subsidiaries, net of cash acquired	4	–1.3	–4.2
Divestitures and deconsolidation of subsidiaries, net of cash derecognized	5	–26.6	3.2
Acquisitions of associates and joint ventures	17	–17.8	–20.9
Dividends from associates	17	0.2	0.1
Purchase of other non-current financial assets	18	–0.6	–6.7
Repayments of other non-current financial assets	18	0.1	3.2
Purchase of current financial assets	18	–0.7	–2.9
Repayments of current financial assets	18	2.8	1.2
Total cash flow from investing activities		**–104.8**	**–87.8**

Dividends paid to shareholders of Sulzer Ltd	**24**	–80.9	–80.6
Dividends paid to non-controlling interests in subsidiaries		–0.3	–1.6
Purchase of treasury shares	**24**	–20.9	–19.5
Payments of lease liabilities	**16**	–28.3	–32.1
Divestiture (Acquisition) of non-controlling interests	**4**	–19.4	0.4
Capital increase non-controlling interests		–	0.5
Proceeds from non-current borrowings	**26**	–	169.6
Repayments of non-current borrowings	**26**	–	–0.0
Proceeds from current borrowings	**26**	26.0	1’054.0
Repayments of current borrowings	**26**	–324.9	–1’376.1
Total cash flow from financing activities		**–448.6**	**–285.4**
Exchange gains / (losses) on cash and cash equivalents		–59.0	–26.4
Net change in cash and cash equivalents		**–250.3**	**–280.5**
Cash and cash equivalents as of December 31	**23**	**974.7**	**1’224.9**
Cash and cash equivalents classified as held for sale		–	–28.6
Cash and cash equivalents as of December 31 as per balance sheet		**974.7**	**1’196.3**

For the calculation of free cash flow (FCF), reference is made to the section “Financial review”.

Notes to the consolidated financial statements

93	**01** General information
94	**02** Significant events and transactions during the reporting period
95	**03** Segment information
101	**04** Acquisitions of subsidiaries and transactions with non-controlling interests
102	**05** Disposals, loss of control and disposal group held for sale
104	**06** Critical accounting estimates and judgments
107	**07** Financial risk management
116	**08** Personnel expenses
117	**09** Employee benefit plans
123	**10** Research and development expenses
124	**11** Other operating income and expenses
125	**12** Financial income and expenses
126	**13** Income taxes
130	**14** Goodwill and other intangible assets
132	**15** Property, plant and equipment
134	**16** Leases
136	**17** Associates and joint ventures
137	**18** Other financial assets
138	**19** Inventories
139	**20** Assets and liabilities related to contracts with customers
140	**21** Trade accounts receivable
142	**22** Other current receivables and prepaid expenses
143	**23** Cash and cash equivalents
144	**24** Equity
146	**25** Earnings per share
147	**26** Borrowings
149	**27** Provisions
151	**28** Other current and accrued liabilities
152	**29** Derivative financial instruments
153	**30** Contingent liabilities
154	**31** Share participation plans
157	**32** Transactions with members of the Board of Directors, Executive Committee and related parties
158	**33** Auditor remuneration
159	**34** Key accounting policies and valuation methods
173	**35** Subsequent events after the balance sheet date
174	**36** Major subsidiaries

Notes to the consolidated financial statements

1 General information

Sulzer Ltd (the “company”) is a company domiciled in Switzerland. The address of the company’s registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The consolidated financial statements for the year ended December 31, 2023, 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 energy-efficient pumping, agitation, mixing, separation, purification, crystallization and polymerization technologies for fluids of all types. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs 13'130 people. The company serves clients in 160 production and service sites around the world. Sulzer Ltd is listed on SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

Sulzer is a global leader in fluid engineering and chemical processing applications, developing innovative products and services that drive sustainable progress.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They were authorized for issue by the Board of Directors on February 21, 2024.

Details of the group’s accounting policies are included in note 34.

2 Significant events and transactions during the reporting period

The financial position and performance of the group was not affected by any significant event during the period. As disclosed in the Annual Report 2022, Sulzer entered into a sales agreement for its business in Russia on February 3, 2023, and successfully sold the business in the second half of 2023. Further details are provided in note 5.

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

3 Segment information

Segment information by divisions

	Flow Equipment		Services		Chemtech	
millions of CHF	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Order intake (unaudited) [1]	**1'466.5**	**1'419.2**	**1'271.3**	**1'171.3**	**842.5**	**834.9**
Nominal growth (unaudited)	3.3%	7.1%	8.5%	0.7%	0.9%	22.9%
Currency-adjusted growth (unaudited)	10.6%	9.4%	18.5%	1.8%	7.5%	21.7%
Organic growth (unaudited) [2]	11.2%	8.9%	19.8%	1.6%	10.5%	22.5%
Order backlog as of December 31 (unaudited)	878.3	850.1	547.3	492.9	521.2	501.7
Sales recognized at a point in time	893.2	843.4	870.2	825.9	373.2	357.5
Sales recognized over time	461.1	479.5	284.6	291.1	399.4	382.4
Sales [3]	**1'354.4**	**1'323.0**	**1'154.8**	**1'117.0**	**772.5**	**739.9**
Nominal growth	2.4%	–4.8%	3.4%	–0.1%	4.4%	14.1%
Currency-adjusted growth (unaudited)	9.4%	–3.1%	12.6%	0.8%	11.3%	12.9%
Organic growth (unaudited) [2]	10.9%	–3.4%	14.5%	0.7%	15.5%	14.8%
Operational profit (unaudited)	**108.2**	**87.4**	**171.3**	**159.0**	**95.0**	**80.0**
Operational profitability (unaudited)	**8.0%**	**6.6%**	**14.8%**	**14.2%**	**12.3%**	**10.8%**
Restructuring expenses	–2.1	0.3	–0.7	–1.3	–0.3	0.8
Amortization	–25.4	–26.7	–3.7	–4.4	–6.8	–6.9
Impairments on tangible and intangible assets	–0.1	–8.0	–0.0	–24.2	–0.1	–12.3
Non-operational items (unaudited) [4]	–6.5	–20.4	12.7	–75.1	–2.9	–23.4
EBIT	**74.1**	**32.6**	**179.6**	**54.0**	**84.9**	**38.3**
Depreciation	–28.8	–30.4	–27.3	–29.0	–12.8	–13.4
Operating assets	1'427.7	1'554.1	944.4	980.0	533.2	579.7
Unallocated assets	–	–	–	–	–	–
Total assets as of December 31	**1'427.7**	**1'554.1**	**944.4**	**980.0**	**533.2**	**579.7**
Operating liabilities	718.6	730.9	411.2	456.4	409.1	439.8
Unallocated liabilities	–	–	–	–	–	–
Total liabilities as of December 31	**718.6**	**730.9**	**411.2**	**456.4**	**409.1**	**439.8**
Operating net assets	709.1	823.2	533.2	523.7	124.1	139.9
Unallocated net assets	–	–	–	–	–	–
Total net assets as of December 31	**709.1**	**823.2**	**533.2**	**523.7**	**124.1**	**139.9**
Capital expenditure (incl. lease assets)	–37.7	–37.9	–33.4	–42.0	–27.8	–16.8
Employees (number of full-time equivalents) as of December 31	5'465	5'263	4'630	4'559	2'849	2'852

1) Order intake from external customers.
2) Adjusted for acquisition, divestiture/deconsolidation and currency effects.
3) Sales from external customers.
4) Mainly consists of a gain on deconsolidation relating to the Russian business of CHF 8.0 million, including the reclassification of the accumulated currency translation adjustments being allocated to the divisions.

Segment information by divisions

	Total divisions		Others [1]		Total Sulzer	
millions of CHF	**2023**	**2022**	**2023**	**2022** [2]	**2023**	**2022** [2]
Order intake (unaudited) [3]	**3'580.3**	**3'425.4**	**–**	**–**	**3'580.3**	**3'425.4**
Nominal growth (unaudited)	4.5%	8.1%	–	–	4.5%	8.1%
Currency-adjusted growth (unaudited)	12.6%	9.2%	–	–	12.6%	9.2%
Organic growth (unaudited) [4]	13.9%	9.1%	–	–	13.9%	9.1%
Order backlog as of December 31 (unaudited)	1'946.8	1'844.7	-	–	1'946.8	1'844.7
Sales recognized at a point in time	2'136.6	2'026.8	–	–	2'136.6	2'026.8
Sales recognized over time	1'145.1	1'153.1	–	–	1'145.1	1'153.1
Sales [5]	**3'281.7**	**3'179.9**	**–**	**–**	**3'281.7**	**3'179.9**
Nominal growth	3.2%	0.8%	–	–	3.2%	0.8%
Currency-adjusted growth (unaudited)	11.0%	1.6%	–	–	11.0%	1.6%
Organic growth (unaudited) [4]	13.2%	1.8%	–	–	13.2%	1.8%
Operational profit (unaudited)	**374.5**	**326.4**	**–8.9**	**–8.8**	**365.6**	**317.6**
Operational profitability (unaudited)	**11.4%**	**10.3%**	**n/a**	**n/a**	**11.1%**	**10.0%**
Restructuring expenses	–3.1	–0.1	0.1	0.0	–3.0	–0.1
Amortization	–35.9	–38.0	–0.7	–0.8	–36.6	–38.8
Impairments on tangible and intangible assets	–0.2	–44.5	–	–	–0.2	–44.5
Non-operational items (unaudited) [6]	3.3	–119.0	0.5	–3.8	3.8	–122.8
EBIT	**338.6**	**124.8**	**–9.0**	**–13.5**	**329.7**	**111.4**
Depreciation	–68.9	–72.8	–2.6	–3.2	–71.4	–76.0
Operating assets [7]	2'905.3	3'113.8	213.6	42.6	3'118.9	3'156.4
Unallocated assets [7]	–	–	1'250.5	1'463.7	1'250.5	1'463.7
Total assets as of December 31	**2'905.3**	**3'113.8**	**1'464.2**	**1'506.4**	**4'369.5**	**4'620.2**
Operating liabilities [8]	1'538.9	1'627.0	261.3	98.1	1'800.2	1'725.1
Unallocated liabilities [8]	–	–	1'470.6	1'866.4	1'470.6	1'866.4
Total liabilities as of December 31	**1'538.9**	**1'627.0**	**1'731.9**	**1'964.5**	**3'270.8**	**3'591.5**
Operating net assets	1'366.4	1'486.8	–47.7	–55.5	1'318.7	1'431.4
Unallocated net assets	–	–	–220.1	–402.7	–220.1	–402.7
Total net assets as of December 31	**1'366.4**	**1'486.8**	**–267.8**	**–458.2**	**1'098.6**	**1'028.6**
Capital expenditure (incl. lease assets)	–98.9	–96.7	–4.1	–3.3	–103.1	–100.0
Employees (number of full-time equivalents) as of December 31	12'944	12'674	186	194	13'130	12'868

1) The most significant activities under "Others" relate to Corporate Center.
2) Amounts in 2022 were restated, please refer to 7) and 8) below.
3) Order intake from external customers.
4) Adjusted for acquisition, divestiture/deconsolidation and currency effects.
5) Sales from external customers.
6) Mainly consists of a gain on deconsolidation relating to the Russia business of CHF 8.0 million, including the reclassification of the accumulated currency translation adjustments being allocated to the divisions.
7) In 2022, within "Others", operating assets were adjusted by CHF 90.1 million from CHF -47.5 million to CHF 42.6 million, the unallocated assets were adjusted by CHF -90.1 million from CHF 1'553.8 million to CHF 1'463.7 million. In "Total Sulzer", operating assets were adjusted by CHF 90.1 million from CHF 3'066.3 million to CHF 3,156.4 million, the unallocated assets were adjusted by CHF -90.1 million from CHF 1'553.8 million to CHF 1'463.7 million.
8) In 2022, within "Others", operating liabilities were adjusted by CHF 90.1 million from CHF 8.0 million to CHF 98.1 million, the unallocated liabilities were adjusted by CHF -90.1 million from CHF 1'956.5 million to CHF 1'866.4 million. In "Total Sulzer", operating liabilities were adjusted by CHF 90.1 million from CHF 1'635.0 million to CHF 1'725.1 million, the unallocated liabilities were adjusted by CHF -90.1 million from CHF 1'956.5 million to CHF 1'866.4 million.

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

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

Chemtech

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

Others

Certain expenses related to the Corporate Center are not attributable to a particular segment and are assessed 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 the measurement in the income statement. There are no significant sales between the segments. No individual customer represents a significant portion of the group’s sales.

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

Segment information by region

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

Non-current assets by region

millions of CHF	2023	2022
Europe, the Middle East and Africa	**831.5**	**853.5**
– thereof Switzerland	227.0	220.5
– thereof United Kingdom	175.5	180.1
– thereof Sweden	112.4	125.7
– thereof Finland	111.3	114.6
– thereof the Netherlands	79.7	84.6
Americas	**375.8**	**413.4**
– thereof USA	335.5	376.6
Asia-Pacific	**123.6**	**136.7**
– thereof China	47.1	52.4
Total	**1’330.9**	**1’403.6**

Sales by region

millions of CHF	2023 Flow Equipment	2023 Services	2023 Chemtech	2023 Total Sulzer
Europe, the Middle East and Africa	**607.7**	**446.5**	**191.8**	**1’246.0**
– thereof United Kingdom	36.7	123.0	15.7	175.5
– thereof Saudi Arabia	91.1	32.4	30.7	154.2
– thereof Germany	60.6	46.1	39.3	145.9
– thereof France	34.7	36.4	8.2	79.3
– thereof Spain	43.1	5.9	5.4	54.5
Americas	**452.8**	**561.2**	**185.8**	**1’199.8**
– thereof USA	261.7	435.3	130.7	827.7
Asia-Pacific	**293.9**	**147.2**	**394.9**	**836.0**
– thereof China	177.7	24.7	266.7	469.1
Total	**1’354.4**	**1’154.8**	**772.5**	**3’281.7**

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

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	2023	2022
Water	497.7	489.8
Energy	453.0	453.4
Industry	403.7	379.7
Total Flow Equipment	**1'354.4**	**1'323.0**

Sales by market segment – Services

millions of CHF	2023	2022
Pumps Services	629.3	593.7
Other Equipment	525.5	523.4
Total Services	**1'154.8**	**1'117.0**

Sales by market segment – Chemtech

millions of CHF	2023	2022
Chemicals	357.8	398.4
Gas and Refining	174.8	130.4
Renewables	115.8	73.9
Services	94.0	108.5
Water	30.1	28.6
Total Chemtech	**772.5**	**739.9**

4 Acquisitions of subsidiaries and transactions with non-controlling interests

Contingent consideration for former acquisitions

millions of CHF	2023	2022
Balance as of January 1	1.9	5.9
Payment of contingent consideration	–1.3	–4.2
Release to other operating income	–0.5	–
Currency translation differences	–0.1	0.2
Total contingent consideration as of December 31	**–**	**1.9**
– thereof non-current	–	–
– thereof current	–	1.9

The group paid a contingent consideration in the amount of CHF 1.3 million and recorded a release to other operating income amounting to CHF 0.5 million, both related to an acquisition in 2021. The payment of CHF 1.3 million is presented in the cash flow statement in "Acquisitions of subsidiaries, net of cash acquired". No businesses were acquired in 2023.

Transactions with non-controlling interests

millions of CHF	2023	2022
Carrying amount of non-controlling interests acquired (disposed)	0.4	–0.8
Consideration received (paid) in cash	–19.4	0.4
Non-cash consideration	–2.8	–
Consideration payable	–0.6	–
Decrease in equity attributable to owners of Sulzer Ltd	**–22.4**	**–0.4**

In January 2023, the group acquired the remaining 25% ownership in Sulzer Saudi Pump Company Limited for a total consideration of CHF 22.8 million, of which CHF 19.4 million were paid in cash.

5 Disposals, loss of control and disposal group held for sale

Disposals and loss of control in 2023

In February 2023, the group entered into an agreement with a third party for the sale of four legal entities in Russia (AO Sulzer Pumps, Sulzer Pumps Rus LLC, Sulzer Turbo Services Rus LLC and Sulzer Chemtech LLC). From the date of the sales agreement, the group lost power over the relevant activities of these entities due to the contractual requirements and legal environment. Consequently, these four entities were deconsolidated in 2023, resulting in the derecognition of the assets and liabilities previously classified as held for sale. The deconsolidation resulted in a gain on deconsolidation amounting to CHF 8.0 million, of which CHF 11.2 million resulted from the reclassification of accumulated currency translation differences and CHF 0.6 million from the reclassification of cash flow hedge reserves, net of tax. The gain on deconsolidation is recorded in other operating income / (expenses), net. A loan with one of the former subsidiaries was measured at a fair value and recognized as a current financial asset at the time control was lost. The payment received on the financial asset exceeded the estimated fair value, the income from the impairment release was recorded in other financial income (see note 12).

Including other minor disposals in 2023, a net gain on disposal (pre-tax) of CHF 7.2 million was recorded in other operating income / (expenses), net, of which CHF 10.9 million pertains to the reclassification of accumulated currency translation differences and CHF 0.6 million to the reclassification of cash flow hedge reserves, net of tax (see note 11).

The aggregated assets and liabilities derecognized in the year 2023 as part of the disposals are presented in the below table.

millions of CHF	**2023** [1]
Property, plant and equipment	0.2
Deferred income tax assets	0.6
Inventories and advance payments to suppliers	0.1
Trade accounts receivable	0.4
Cash and cash equivalents	32.6
Non-current liabilities	–0.3
Trade accounts payable	–0.6
Contract liabilities	–13.3
Current lease liabilities	–0.2
Current provisions	–0.4
Other current and accrued liabilities	–10.7
Net assets derecognized	**8.5**

1) Assets and liabilities classified as assets and liabilities of disposal groups held for sale prior to the disposal are presented as per their initial classification prior to the classification as held for sale.

Cash flow from divestments

millions of CHF	**2023**	**2022**
Cash consideration received	5.8	7.8
Cash disposed of	–32.6	–4.6
Cash consideration received for divestments in prior years	0.3	–
Total cash flow from divestitures, net of cash derecognized	**–26.6**	**3.2**

Disposals and loss of control in 2022

In the first half year of 2022, the group sold its 100% shareholding in the Brazilian subsidiary Sulzer Services Brasil, Triunfo. The disposal resulted in a loss of CHF 0.6 million, including a loss of CHF 1.0 million from the reclassification of currency translation differences into the income statement. The 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 was valued at zero. The losses are recorded in other operating expenses (see note 11).

The assets and liabilities derecognized in the year 2022 as part of the disposals are presented in the below table.

millions of CHF	2022
Property, plant and equipment	2.5
Deferred income tax assets	0.2
Inventories and advance payments to suppliers	2.0
Trade accounts receivable	9.0
Contract assets	0.6
Other current receivables	1.9
Cash and cash equivalents	4.7
Non-current provisions	–0.3
Trade accounts payable	–2.6
Contract liabilities	–0.7
Other current and accrued liabilities	–4.8
Net assets derecognized	**12.5**

Disposal group held for sale in 2022

In the June 2022, the four legal entities in Russia were classified as 'held for sale,' and as a result, impairments of CHF 88.9 million were recorded, of which CHF 32.2 million 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 included mainly impairments of goodwill, other intangible assets, property, plant and equipment, lease assets, inventory and advance payments from customers. The total net impairment loss recorded on contract assets and receivables amounted to CHF 37.4 million as of December 31, 2022.

6 Critical accounting estimates and judgments

All estimates and assessments are continually reviewed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The group makes estimates and assumptions that relate to the future. By their nature, these estimates will only rarely correspond to actual subsequent events. The estimates and assumptions that carry a significant risk, in the form of a substantial adjustment to the measurement of assets and liabilities within the next financial year, are set out below.

Employee benefit plans

Assets, liabilities and costs for defined benefit pension plans and other post-employment plans are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit assets / obligations include the discount rate, future salary and pension increases, and mortality rates. The assumptions are reviewed and reassessed at the end of each year based on observable market data, i.e., market yields of high-quality corporate bonds denominated in the corresponding currency and asset management studies. In case a defined benefit plan results in a surplus, the group needs to calculate the asset ceiling and the present value of the economic benefits available in the form of refunds or reductions in future contributions to the plan. For the calculation of the economic benefits, the future benefits are discounted with the applicable discount rate, adjusted for estimated future salary increases. These estimates might significantly impact the balance sheet. Further details on the defined benefit plans are provided in note 9 and note 34.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Assumptions are required in order to determine income tax provisions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management believes that the estimates are reasonable, and that the recognized liabilities for income tax-related uncertainties are adequate. Further details are disclosed in note 13.

Goodwill and other intangible assets

The group carries out an annual impairment test on goodwill in the first quarter of the year (after the budget and the three-year strategic plan have been approved by the Board of Directors in February), or when indications of a potential impairment exist. The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations, with the terminal growth rate, the discount rate, and the projected cash flows as the main variables. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment are disclosed in note 14. The accounting policies are disclosed in note 34.

Lease assets and lease liabilities

The group has applied judgment to determine the lease term for lease contracts that include renewal and termination options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and lease assets recognized. This assessment depends on economic incentives, such as removal and relocation costs. Further details are disclosed in note 16 and note 34.

Sales

At contract inception, the group assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as a performance obligation. The group considers the terms of the contract and all other relevant facts, including the economic substance of the transaction. Judgment is needed to determine whether there is a single performance obligation or multiple separate performance obligations.

If the consideration promised in a contract includes a variable amount (e.g., expected liquidated damages, early payment discounts, volume discounts), the group estimates the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expects to better predict the amount of consideration to which it will be entitled: the expected value or the most likely amount. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled. Depending on the outcome of the respective transactions, actual payments may differ from these estimates.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. If the stand-alone selling price is not directly observable, then the group estimates the amount with the expected cost-plus-margin method.

The group recognizes sales either over time or at a point in time. Sales are recognized over time if any of the conditions described in note 34 are met. The most critical estimate in determining whether sales should be recorded over time or at a point in time, is the existence of a right to payment. The group estimates if an enforceable right to payment (including reasonable profit margin) for performance to date exists in case the customer terminates the contract for convenience. For this estimate, the group reviews the contracts and considers relevant laws, legal precedents and customary business practice.

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

Further details are disclosed in note 20 and note 34.

Provisions

Provisions are made, among other reasons, for warranties, disputes, litigation and restructuring. A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The nature of these costs is such that judgment has to be applied to estimate the timing and amount of cash outflows. Depending on the outcome of the respective transactions, actual payments may differ from these estimates. Further details are disclosed in note 27 and note 34.

Financial assets

The fair value needs to be measured for the financial assets measured at fair value through P&L. If there is no observable fair value, valuation approaches relying on unobservable inputs are used. These inputs inherently require a higher level of judgement. Assumptions and estimates of unobservable market inputs in the fair valuation of financial assets require significant judgment and could affect amounts recognized in the statement of income.

7 Financial risk management

7.1 Financial risk factors

The group's activities expose it to market, credit and liquidity risks. The group's overall risk management program focuses on the mitigation of such risks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

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

a) Market risk

(I) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The group is exposed to transactional foreign currency risk to the extent that sales, purchases, license fees, borrowings and other balance sheet items are denominated in currencies other than the functional currencies of group companies. The exposure originates mainly from group companies with the functional currencies CHF, USD, EUR, CNY and INR. Management has set up a policy to require subsidiaries to manage their foreign exchange risk against their functional currency. The subsidiaries are required to hedge their major foreign exchange risk exposure using forward contracts or other standard instruments, usually transacted with Group Treasury. The group's management policy is to hedge 90% to 100% of the contractual FX exposures.

The group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. The contracts are generally designated for hedge accounting as cash flow hedges. The group determines the existence of an economic relationship between the hedging instruments and the hedged item based on the currency, amount and timing of the respective cash flows. For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness. In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated.

External foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis. The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. If required, currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Derivative financial instruments are only used on an ad hoc basis to manage foreign currency translation risk.

The following tables show the hypothetical influence on the income statement for 2023 and 2022 related to foreign exchange risk of financial instruments. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. For 2023, the currency pair with the most significant exposure and inherent risk was the EUR versus the BRL. If, on December 31, 2023, the EUR had increased by 12.0% against the BRL with all other variables held constant, profit after tax for the year would have been CHF 0.6 million lower due to foreign exchange losses on EUR-denominated financial assets. A decrease of the rate would have caused a profit of the same amount.

Hypothetical impact of foreign exchange risk on income statement

millions of CHF				2023
Currency pair	EUR/BRL	EUR/CNY	EUR/INR	USD/MXN
Exposure	–6.7	6.5	–5.8	3.3
Volatility	12.0%	6.7%	7.2%	11.4%
Effect on profit after tax (rate increase)	–0.6	0.3	–0.3	0.3
Effect on profit after tax (rate decrease)	0.6	–0.3	0.3	–0.3

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

The following tables show the hypothetical influence on equity for 2023 and 2022 related to foreign exchange risk of financial instruments for the most important currency pairs as of December 31 of the respective year. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as cash flow hedges.

Hypothetical impact of foreign exchange risk on equity

millions of CHF							2023
Currency pair	GBP/USD	USD/MXN	EUR/USD	CHF/EUR	USD/INR	EUR/BRL	USD/CAD
Exposure	116.1	–57.2	52.5	–60.9	–59.9	15.7	–26.4
Volatility	8.3%	11.4%	7.6%	5.1%	3.2%	12.0%	6.1%
Effect on equity, net of taxes (rate increase)	7.3	–4.9	3.0	–2.4	–1.5	1.4	–1.2
Effect on equity, net of taxes (rate decrease)	–7.3	4.9	–3.0	2.4	1.5	–1.4	1.2

millions of CHF							2022
Currency pair	GBP/USD	EUR/USD	USD/MXN	EUR/CHF	USD/INR	GBP/EUR	USD/CHF
Exposure	156.3	47.6	–42.7	–57.9	–46.9	–28.7	–22.9
Volatility	12.5%	10.1%	10.4%	7.6%	5.2%	7.7%	9.4%
Effect on equity, net of taxes (rate increase)	14.3	3.5	–3.2	–3.2	–1.8	–1.6	–1.6
Effect on equity, net of taxes (rate decrease)	–14.3	–3.5	3.2	3.2	1.8	1.6	1.6

(II) Price risk
As of December 31, 2023, and 2022, the group was not exposed to significant price risk related to investments in equity securities.

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

The following table shows the hypothetical influence on the income statement for variable interest-bearing assets net of liabilities at variable interest rates, assuming market interest rate levels would have increased/decreased by 100 basis points. For the most significant currencies, CHF, USD, EUR, CNY and INR, increasing interest rates would have had a positive impact on the income statement, since the value of variable interest-bearing assets (comprising mainly cash and cash equivalents) exceed the value of variable interest-bearing liabilities.

Hypothetical impact of interest rate risk on income statement

millions of CHF				**2023**
			Impact on post-tax profit	
Variable interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	282.2	100	2.1	–2.1
USD	180.1	100	1.4	–1.4
EUR	172.1	100	1.3	–1.3
CNY	144.1	100	1.1	–1.1
INR	39.2	100	0.3	–0.3

millions of CHF				**2022**
			Impact on post-tax profit	
Variable interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	417.2	100	3.0	–3.0
USD	264.4	100	1.9	–1.9
EUR	181.3	100	1.3	–1.3
CNY	174.0	100	1.3	–1.3
INR	29.8	100	0.2	–0.2

On December 31, 2023, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 2.1 million higher, as a result of higher interest income on CHF-denominated assets. A decrease of interest rates on CHF-denominated assets net of liabilities would have caused a loss of the same amount. As of December 31, 2022, if the interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 3.0 million higher, as a result of higher interest income on CHF-denominated assets.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and credit exposures to customers, including outstanding trade receivables, and contract assets. The maximum exposure to credit risk per class of financial asset is disclosed by carrying amounts in the fair value table. Equity instruments are not exposed to credit risks. The carrying amounts of financial assets and contract assets represent the maximum credit risk exposure.

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

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

c) Liquidity risk

Prudent liquidity risk management includes the maintenance of sufficient cash and marketable securities, the availability of funding from an adequate number of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding through committed and uncommitted credit lines.

Management anticipates the future development of the group’s liquidity reserve on the basis of expected cash flows by performing regular group-wide cash forecasts. As of December 2023, Sulzer had access to a syndicated credit facility of CHF 500 million maturing on December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders’ approval). In 2022 and 2023, the group exercised the options, extending the term of the credit facility in the amount of CHF 415 million to December 2028.

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

Maturity profile of financial liabilities

					2023
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	**Total**
Borrowings	1’056.3	279.3	816.8	0.6	1’096.7
Lease liabilities	93.0	24.7	53.4	24.6	102.7
Trade accounts payable	367.7	367.7	–	–	367.7
Other current and non-current liabilities (excluding derivative liabilities)	405.5	404.3	1.2	–	405.5
Derivative liabilities	3.2	3.2	–	–	3.2
– thereof outflow		279.3	–	–	279.3
– thereof inflow		276.1	–	–	276.1

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

7.2 Capital risk management

The group’s objectives when managing capital are to safeguard the group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In this respect, the group aims at maintaining an investment-grade credit rating, either as a perceived rating or an external rating issued by a credit rating agency.

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

The following table shows the net debt/EBITDA ratio as of December 31, 2023, and 2022.

Net debt/EBITDA ratio

millions of CHF	2023	2022
Cash and cash equivalents	–974.7	–1’196.3
Current financial assets	–2.3	–14.0
Non-current borrowings	795.2	1’043.9
Non-current lease liabilities	69.0	67.2
Current borrowings	261.1	311.4
Current lease liabilities	23.9	22.4
Net debt as of December 31	**172.3**	**234.6**
Operating income (EBIT)	**329.7**	**111.4**
Depreciation	71.4	76.0
Impairments on tangible and intangible assets [1)]	0.2	44.5
Amortization	36.6	38.8
EBITDA	**437.9**	**270.7**
Net debt	172.3	234.6
EBITDA	437.9	270.7
Net debt/EBITDA ratio	**0.39**	**0.87**

1) Impairments on tangible and intangible assets in 2022 include CHF 32.4 million impairments recorded in connection with the Russian business classified as held for sale, see Note 11.

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

As of December 31, 2023, and 2022, the gearing ratio was as follows:

Gearing ratio (borrowings-to-equity ratio)

millions of CHF	2023	2022
Non-current borrowings	795.2	1’043.9
Non-current lease liabilities	69.0	67.2
Current borrowings	261.1	311.4
Current lease liabilities	23.9	22.4
Total borrowings and lease liabilities	**1’149.2**	**1’444.9**
Equity attributable to shareholders of Sulzer Ltd	1’095.4	1’024.3
Gearing ratio (borrowings-to-equity ratio)	**1.05**	**1.41**

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

7.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as of December 31, 2023, and 2022, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

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

The fair value of financial instruments traded in active markets, including the outstanding bonds, is based on quoted market prices at the balance sheet date. Such instruments are included in level 1.

The fair values included in level 2 are based on valuation techniques using observable market input data. This may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates.

Fair values determined using unobservable inputs are categorized within level 3 of the fair value hierarchy. Level 3 instruments consist of non-current financial assets at fair value through profit or loss. Non-current financial assets at fair value through profit or loss consist of unquoted equity or debt instruments including private equity or fund investments. Fair values are mainly determined based on external valuations. Unrealized fair value gains are recorded in other financial income / (expenses), net. For the partial release of a contingent consideration, an income of CHF 0.5 million (2022: CHF 0.0 million) was recorded in other operating income. For more information, please refer to note 4.

Level 3 financial assets at fair value through profit or loss

millions of CHF	2023	2022
Balance as of January 1	22.6	8.6
Additions	0.6	6.4
Reclassification	–3.0	–
Unrealized fair value gain, net	1.9	7.6
Total level 3 financial assets at fair value through profit or loss as of December 31	**22.0**	**22.6**

In 2022, additional assets were measured at fair value and categorized within level 3 due to the classification as held for sale. The fair value of these assets was determined to be zero and losses in the amount of CHF 32.4 million were recorded. These assets were part of the Russian business that was deconsolidated in 2023, see note 5 and note 11.

Fair value table

		December 31, 2023									
		Carrying amount						Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at fair value through other comprehensive income – equity instruments	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value											
Other non-current financial assets (at fair value)	**18**		22.2	9.5			31.7	9.7	–	22.0	31.7
Derivative assets – current	**22,29**	13.9					13.9	–	13.9	–	13.9
Current financial assets (at fair value)	**18**		1.6				1.6	1.6	–	–	1.6
Total financial assets measured at fair value		**13.9**	**23.8**	**9.5**	**–**	**–**	**47.2**	**11.3**	**13.9**	**22.0**	**47.2**
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)	**18**				6.7		6.7				
Non-current receivables (excluding non-current derivative assets)					1.2		1.2				
Trade accounts receivable	**21**				540.8		540.8				
Other current receivables (excluding current derivative assets and other taxes)	**22**				22.6		22.6				
Current financial assets (at amortized cost)	**18**				0.7		0.7				
Cash and cash equivalents	**23**				974.7		974.7				
Total financial assets not measured at fair value		**–**	**–**	**–**	**1’546.7**	**–**	**1’546.7**				
Financial liabilities measured at fair value											
Derivative liabilities – current	**28,29**	3.2					3.2	–	3.2	–	3.2
Total financial liabilities measured at fair value		**3.2**	**–**	**–**	**–**	**–**	**3.2**	**–**	**3.2**	**–**	**3.2**
Financial liabilities not measured at fair value											
Outstanding non-current bonds	**26**					794.3	794.3	786.2	–	–	786.2
Other non-current borrowings	**26**					0.9	0.9				
Other non-current liabilities (excluding non-current derivative liabilities)						1.2	1.2				
Outstanding current bonds	**26**					250.0	250.0	250.0	–	–	250.0
Other current borrowings and bank loans	**26**					11.1	11.1				
Trade accounts payable						367.7	367.7				
Other current liabilities (excluding current derivative liabilities and other taxes)	**28**					404.3	404.3				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**–**	**1’829.5**	**1’829.5**				

Fair value table

											December 31, 2022
		Carrying amount						Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at fair value through other comprehensive income – equity instruments	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value											
Other non-current financial assets (at fair value)	**18**		22.8	–			22.8	0.2	–	22.6	22.8
Derivative assets – non-current	**29**	0.1					0.1	–	0.1	–	0.1
Derivative assets – current	**22,29**	13.2					13.2	–	13.2	–	13.2
Current financial assets (at fair value)	**18**		1.5	8.8			10.3	10.3	–	–	10.3
Total financial assets measured at fair value		**13.2**	**24.4**	**8.8**	**–**	**–**	**46.4**	**10.5**	**13.2**	**22.6**	**46.4**
Financial assets not measured at fair value											
Other non-current financial assets (at amortized cost)	**18**				5.6		5.6				
Non-current receivables (excluding non-current derivative assets)					0.9		0.9				
Trade accounts receivable	**21**				585.5		585.5				
Other current receivables (excluding current derivative assets and other taxes)	**22**				23.4		23.4				
Current financial assets (at amortized cost)	**18**				3.6		3.6				
Cash and cash equivalents	**23**				1'196.3		1'196.3				
Total financial assets not measured at fair value		**–**	**–**	**–**	**1'815.5**	**–**	**1'815.5**				
Financial liabilities measured at fair value											
Derivative liabilities – non-current	**29**	0.0					0.0	–	0.0	–	0.0
Derivative liabilities – current	**28,29**	7.0					7.0	–	7.0	–	7.0
Contingent considerations	**4**		1.9				1.9	–	–	1.9	1.9
Total financial liabilities measured at fair value		**7.0**	**1.9**	**–**	**–**	**–**	**8.9**	**–**	**7.0**	**1.9**	**8.9**
Financial liabilities not measured at fair value											
Outstanding non-current bonds	**26**					1'043.9	1'043.9	1'003.7	–	–	1'003.7
Other non-current liabilities (excluding non-current derivative liabilities)						1.3	1.3				
Outstanding current bonds	**26**					289.9	289.9	288.5	–	–	288.5
Other current borrowings and bank loans	**26**					21.5	21.5				
Trade accounts payable						440.8	440.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)	**28**					396.3	396.3				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**–**	**2'193.6**	**2'193.6**				

8 Personnel expenses

millions of CHF	2023	2022
Salaries and wages	822.6	793.2
Defined contribution plan expenses	29.9	29.6
Defined benefit plan expenses	14.4	15.7
Cost of share-based payment transactions	12.6	15.4
Social benefit costs	119.5	112.3
Other personnel costs	31.7	36.2
Total personnel expenses	**1’030.8**	**1’002.4**

9 Employee benefit plans

The present value of the defined benefit obligations and costs of the defined benefits are calculated using the projected unit credit method. For active members the calculation considers future salary increases, future pension increases as well as the probability of departures, and for retirees, current and future pension benefits considering future pension increases.

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

						2023
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans others	Unfunded plans	**Total**
Present value of funded defined benefit obligation	–731.2	–346.1	–48.6	–83.1	–	–1’209.0
Fair value of plan assets (funded plans)	899.9	268.5	38.6	56.2	–	1’263.2
Overfunding / (underfunding)	**168.8**	**–77.6**	**–10.0**	**–27.0**	**–**	**54.2**
Present value of unfunded defined benefit obligation	–	–	–	–	–10.9	–10.9
Adjustment to asset ceiling	–	–	–	–	–	–
Net asset / (liability) recognized in the balance sheet	**168.8**	**–77.6**	**–10.0**	**–27.0**	**–10.9**	**43.2**
– thereof defined benefit obligations	–	–77.6	–10.0	–28.7	–10.9	–127.3
– thereof defined benefit assets	168.8	–	–	1.7	–	170.5

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

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

In Switzerland, the group contributes to two pension plans funded via two different pension funds, i.e., a base plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide benefits depending on the pension savings at retirement. They include certain legal minimum interest credits to the pension savings (i.e., investment return) and guaranteed rates of conversion of pension savings into an annuity at retirement. In addition, the plans offer death in service and disability benefits. The two pension funds are collective funds administrating pension plans of group companies and also unrelated companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contributions by employer and employees or lower interest on pension savings, to eliminate the underfunding. The pension funds are legally separated from the group. The vast majority of the active participants in the two pension funds are employed by companies not belonging to the group. The Board of Trustees for the base plan comprises 10 employee representatives and 10 employer representatives. The discount rate in 2023 decreased compared to 2022 (from 2.2% to 1.5% for active employees and from 2.3% to 1.5% for pensioners). In 2023, a gain from the change in effect of asset ceiling amounting to CHF 202.3 million (2022: loss of CHF 197.9 million) was recorded in other comprehensive income (OCI) related to the Swiss pension plans. The net pension asset increased from CHF 0.0 million to CHF 168.8 million. The total expenses recognized in the income statement in 2023 amounted to CHF 11.3 million (2022: CHF 13.7 million) and includes past service costs amounting to CHF 1.3 million. The past service costs were recorded for a plan amendment to one of the pension plans, enabling employees to extend the retirement saving process.

In the UK, the plan is a final salary plan and provides benefits linked to salary at closure to future accrual adjusted for inflation to retirement or earlier date of leaving service. The scheme is fully closed to new entrants and future accruals. The scheme is managed by nine trustees forming the Board. The plan is a multiemployer scheme with Sulzer (UK) Holding being the principal sponsor. The discount rate decreased in 2023 by 0.2 percentage points to 4.7% (2022: 4.9%). The net pension liability decreased from CHF 78.0 million in 2022 to CHF 77.6 million in 2023, with a loss recognized in OCI amounting to CHF 6.6 million (2022: gain of CHF 15.3 million). In 2023, the total expenses recognized in the income statement amounted to CHF 3.8 million (2022: CHF 2.8 million).

In the USA, the group operates non-contributory defined benefit retirement plans. The salaried plans provide benefits that are based on years of service and the employee’s compensation, averaged over the five highest consecutive years preceding retirement. The hourly plans’ benefits are based on years of service and a flat dollar benefit multiplier. All plans are closed to new entrants. The discount rate decreased in 2023 to 4.7% (2022: 4.8%). The net pension liability decreased from CHF 10.2 million in 2022 to CHF 10.0 million in 2023 with a loss recognized in OCI amounting to CHF 0.4 million (2022: gain of CHF 8.9 million). The total expenses recognized in 2023 amounted to CHF 1.1 million (2022: CHF 1.1 million).

In Germany, the group operates a range of different defined benefit pension plans, with one unfunded plan and two funded plans. All defined benefit plans are closed for new entrants and a new defined contribution plan for all employees was introduced in 2007. Existing employees who participated in the defined benefit plans continued to be eligible for these defined benefit pensions but also became eligible for the new defined contribution pensions. However, benefits received under the defined contribution plan are offset against the benefits under the defined benefit plans. The different defined benefit plans offer retirement pension, disability pension and survivor’s pension benefits.

Employee benefit plans

millions of CHF	2023	2022
Reconciliation of effect of asset ceiling		
Adjustment to asset ceiling at January 1	–197.9	–
Interest (expenses) / income on effect of asset ceiling	–4.4	–
Change in effect of asset ceiling excl. interest (expenses) / income	202.3	–197.9
Currency translation differences	–0.0	–0.0
Adjustment to asset ceiling at December 31	**–**	**–197.9**
Reconciliation of net asset / (liability) recognized in the balance sheet		
Net asset / (liability) recognized at January 1	–121.0	–45.7
Defined benefit income / (expenses) recognized in the income statement	–20.1	–18.7
Defined benefit income / (expenses) recognized in OCI	160.3	–90.8
Employer contributions	24.1	24.8
Divestitures of subsidiaries	–	0.2
Reclassification [1]	–6.0	–
Currency translation differences	5.9	9.2
Net asset / (liability) recognized at December 31	**43.2**	**–121.0**
Components of defined benefit income / (expenses) in the income statement		
Current service costs (employer)	–12.1	–16.4
Past service costs	–1.5	0.9
Gains and (losses) on settlement	0.1	1.3
Interest expenses	–38.5	–17.3
Interest income on plan assets	37.2	14.5
Interest expenses / (income) on effect of asset ceiling	–4.4	–
Other administrative costs	–0.9	–1.5
Income / (expenses) recognized in the income statement	**–20.1**	**–18.7**
– thereof charged to personnel expenses	–14.4	–15.7
– thereof charged to interest income / expenses, net	–5.7	–2.9
Components of defined benefit gains / (losses) in OCI		
Actuarial gains / (losses) on defined benefit obligation	–64.6	366.3
Returns on plan assets excl. interest income	22.4	–259.4
Changes in effect of asset ceiling excl. interest expenses / (income)	202.3	–197.9
Returns on reimbursement right excl. interest income / (expenses)	0.2	0.2
Defined benefit gains / (losses) recognized in OCI [2]	**160.3**	**–90.8**

1) Defined benefit plans reclassified from provisions to defined benefit obligation, see note 27.
2) The tax effect on defined benefit cost recognized in OCI amounted to CHF -31.5 million (2022: CHF 15.4 million).

Employee benefit plans

millions of CHF	2023	2022
Reconciliation of defined benefit obligation (funded and unfunded plans)		
Defined benefit obligation as of January 1	–1’215.6	–1’692.3
Interest expenses	–38.5	–17.3
Current service costs (employer)	–12.1	–16.4
Past service costs	–1.5	0.9
Contributions by plan participants	–8.1	–7.5
Benefits paid / (deposited)	105.1	104.4
Gains and (losses) on settlement	0.1	1.3
Other administrative costs	–0.9	–1.5
Actuarial gains / (losses)	–64.6	366.3
Divestitures of subsidiaries	–	0.2
Reclassification [1]	–6.0	–
Currency translation differences	22.1	46.4
Defined benefit obligation as of December 31	**–1’220.0**	**–1’215.6**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	1’292.5	1’646.6
Interest income on plan assets	37.2	14.5
Employer contributions	24.1	24.8
Contributions by plan participants	8.1	7.5
Benefits (paid) / deposited	–104.9	–104.4
Returns on plan assets excl. interest income	22.4	–259.4
Currency translation differences	–16.3	–37.1
Fair value of plan assets as of December 31	**1’263.2**	**1’292.5**
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	52.3	44.5
Equity instruments	242.4	237.8
Debt instruments	272.5	292.7
Real estate funds	29.4	33.0
Investment funds	5.0	4.9
Others	72.5	80.6
Total assets at fair value – quoted market price as of December 31	**674.1**	**693.5**
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third parties (real estate)	271.3	270.0
Others	317.7	329.1
Total assets at fair value – non-quoted market price as of December 31	**589.0**	**599.0**
Best estimate of contributions for upcoming financial year		
Contributions by the employer	25.3	23.9

1) Defined benefit plans reclassified from provisions to defined benefit obligation, see note 27.

Employee benefit plans

millions of CHF	2023	2022
Components of defined benefit obligation, split		
Defined benefit obligation for active members	–238.5	–211.4
Defined benefit obligation for pensioners	–777.4	–801.4
Defined benefit obligation for deferred members	–204.1	–202.7
Total defined benefit obligation as of December 31	**–1’220.0**	**–1’215.6**
Components of actuarial gains / (losses) on obligations		
Actuarial gains / (losses) arising from changes in financial assumptions	–55.3	384.1
Actuarial gains / (losses) arising from changes in demographic assumptions	12.8	4.0
Actuarial gains / (losses) arising from experience adjustments	–22.1	–21.8
Total actuarial gains / (losses) on defined benefit obligation	**–64.6**	**366.3**
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	10.8	10.4

The defined benefit obligations for the Swiss and UK pension plans represent 88% (2022: 88%) of the group. The following significant actuarial assumptions were used for these two countries:

Principal actuarial assumptions as of December 31

	2023		2022	
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans Switzerland	Funded plans United Kingdom
Discount rate for active employees	1.5%	n/a	2.2%	n/a
Discount rate for pensioners	1.5%	4.7%	2.3%	4.9%
Future salary increases	2.3%	n/a	1.5%	n/a
Future pension increases	0.0%	2.7%	0.0%	2.7%
Life expectancy at retirement age (male / female) in years	22/23	21/24	22/24	22/24

Sensitivity analysis of defined benefit obligations

millions of CHF	2023	2022 [1]
Discount rate (decrease 0.25 percentage points)	–32.1	–30.8
Discount rate (increase 0.25 percentage points)	30.4	29.3
Future salary growth (decrease 0.25 percentage points)	2.1	1.9
Future salary growth (increase 0.25 percentage points)	–2.0	–1.9
Life expectancy (decrease 1 year)	66.6	63.7
Life expectancy (increase 1 year)	–64.9	–61.7

1) The sensitivity impacts of the comparison period 2022 were restated to correct a prior year misstatement. The adjustments are outlined in the table below.

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

Restatement of the sensitivity analysis on defined benefit obligations

millions of CHF	2022 reported	Adjustment	2022 restated
Discount rate (decrease 0.25 percentage points)	–33.7	2.9	–30.8
Discount rate (increase 0.25 percentage points)	26.5	2.8	29.3
Future salary growth (decrease 0.25 percentage points)	0.6	1.3	1.9
Future salary growth (increase 0.25 percentage points)	–6.5	4.6	–1.9
Life expectancy (decrease 1 year)	15.2	48.4	63.7
Life expectancy (increase 1 year)	–15.1	–46.5	–61.7

10 Research and development expenses

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

millions of CHF	2023	2022
Flow Equipment	38.6	36.7
Services	1.6	1.8
Chemtech	30.7	27.8
Total	**70.8**	**66.4**

11 Other operating income and expenses

millions of CHF	2023	2022
Income from release of contingent consideration	0.5	–
Gain from sale of property, plant and equipment	0.6	5.5
Gain from deconsolidation of subsidiaries	8.3	–
Other operating income	8.3	19.2
Total other operating income	**17.7**	**24.7**
Restructuring expenses	–3.0	–0.1
Impairments on tangible and intangible assets	–0.2	–44.5
Cost for mergers and acquisitions	–1.8	–1.5
Loss from sale of property, plant and equipment	–0.1	–0.0
Loss from deconsolidation of subsidiaries	–1.1	–6.7
Operating currency exchange losses, net	–2.3	–13.9
Total other operating expenses	**–8.4**	**–66.7**
Total other operating income / (expenses), net	**9.2**	**–42.1**

Other operating income includes recharges to third parties not qualifying as sales to customers, government grants and incentives, and sundry other tax refunds. In 2023, other operating income included income from charges to the discontinued operation Applicator Systems division (later renamed medmix) for corporate support functions and centrally procured indirect spend utilized by medmix of CHF 1.6 million (2022: CHF 9.8 million).

In 2023, the total gain from deconsolidation primarily included a gain of CHF 8.0 million from the deconsolidation of four Russian legal entities. The total gain and loss from deconsolidation includes a net gain from the reclassification of currency translation adjustments of CHF 10.9 million and a gain of CHF 0.6 million from the reclassification of cash flow hedge reserves (see note 5).

In 2022, 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 5).

In 2023, the group recognized net impairment losses on tangible and intangible assets amounting to CHF 0.2 million (2022: impairment losses of CHF 44.5 million), consisting of impairment losses of CHF 1.0 million, partially offset with the reversal of impairment losses amounting to CHF 0.8 million. In 2022, impairment losses amounting to CHF 12.1 million were recorded based on performed impairment tests on production machines and facilities as well as lease assets. Impairments of CHF 32.4 million on goodwill, other intangible assets, property, plant and equipment and lease assets were recorded in connection with the classification of the business in Russia as held for sale and the write-down to fair value less costs to sell (see note 5).

In 2023, the group recognized restructuring costs of CHF 5.2 million (2022: CHF 1.8 million), partially offset with the release of restructuring provisions of CHF 2.2 million (2022: CHF 1.7 million). Restructuring costs mainly relate to the reorganization in the Flow Equipment division.

12 Financial income and expenses

millions of CHF	2023	2022
Interest and securities income	18.3	9.3
Interest income on employee benefit plans	0.1	0.4
Total interest and securities income	**18.3**	**9.7**
Interest expenses on borrowings and lease liabilities	–24.5	–24.1
Interest expenses on employee benefit plans	–5.7	–3.2
Total interest expenses	**–30.3**	**–27.3**
Total interest income / (expenses), net	**–11.9**	**–17.6**
Fair value changes	5.1	24.0
Other financial income (expenses)	2.5	–1.5
Currency exchange gains / (losses), net	–17.9	–6.6
Total other financial income / (expenses), net	**–10.3**	**16.0**
Total financial income / (expenses), net	**–22.2**	**–1.6**
- thereof fair value changes on financial assets at fair value through profit or loss	5.1	24.0
- thereof interest income on financial assets at amortized costs	18.3	9.3
- thereof other financial expenses	2.5	–1.5
- thereof currency exchange gains / (losses), net	–17.9	–6.6
- thereof interest expenses on borrowings	–22.1	–22.1
- thereof interest expenses on lease liabilities	–2.5	–2.0
- thereof interest expenses on employee benefit plans, net	–5.7	–2.9

In 2023, the total financial expenses, net amounted to CHF 22.2 million, compared with CHF 1.6 million in 2022.

The total interest and securities income amounted to CHF 18.3 million (2022: CHF 9.3 million). The increase compared to the prior year is mainly due to higher variable interest rates on deposits.

The line “Fair value changes” includes gains from fair value changes of investments in financial instruments classified at fair value through profit or loss amounting to CHF 2.7 million (2022: CHF 8.7 million), with the remainder relating to fair value changes of derivative financial instruments used as hedging instruments to hedge foreign exchange risks.

Currency exchange gains/losses are mainly related to foreign currency differences of non-operating assets and liabilities recorded at the prevailing rate at the time of acquisition (or preceding year-end closing rate) as against the current balance sheet rate. The net currency exchange loss in 2022 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.

13 Income taxes

millions of CHF	2023	2022
Current income tax expenses	–79.1	–76.3
Deferred income tax (expenses) income	5.4	–2.7
Total income tax expenses	**–73.8**	**–79.0**

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

Reconciliation of income tax expenses

millions of CHF	2023	2022
Income before income tax expenses from continuing operations	304.3	107.0
Weighted average tax rate	**23.7%**	**23.7%**
Income taxes at weighted average tax rate	–72.1	–25.4
Income taxed at different tax rates	–12.3	3.4
Effect of tax loss carryforwards and allowances for deferred income tax assets	0.9	–2.7
Expenses not deductible for tax purposes	–11.4	–5.2
Effect of changes in tax rates and legislation	0.0	–2.2
Prior year items and others	21.2	–47.0
Total income tax expenses	**–73.8**	**–79.0**
Effective income tax rate	24.2%	73.8%

The effective income tax rate for 2023 was 24.2% (2022: 73.8%). The effective income tax rate was impacted by income taxed at different tax rates in the amount of CHF 12.3 million due to participation exemptions on dividend income and withholding taxes on dividends, trademark royalties and interests.

Expenses not deductible for tax purposes in the amount of CHF 11.4 million mainly relate to disallowances of group charges for services, financing and other expenses in India, Mexico, the UK and the USA.

Prior year items and others include current tax refunds and receivables from R&D tax credits in Brazil and the USA. Additionally, a deferred income tax asset of CHF 4.0 million was recognized on a step-up in relation to the Swiss Corporate Tax Reform (TRAF) enacted in prior periods. The deconsolidation of the Russian business positively impacted the reconciliation by CHF 2.3 million.

The effective income tax rate for 2022 was 73.8%. The effective income tax rate was significantly impacted by recognized impairments on the Russian business upon the classification of the four Russian entities as held for sale and the wind down of the Polish business. The total tax impact amounted to CHF 37.4 million, with CHF 32.3 million presented in prior year items and others. Furthermore, the effect of tax loss carryforwards and allowances for deferred income tax assets in the amount of –2.7 million was impacted by a reversal of Russian deferred tax assets in the amount of CHF 5.1 million. The effect of changes in tax rates and legislation mainly related to the announced tax rate change in France and UK causing the revaluation of a deferred tax position in the amount of CHF –2.2 million. Expenses not deductible for tax purposes in the amount of CHF –5.2 million mainly related to disallowances of group charges and interest.

Income tax liabilities

millions of CHF	2023	2022
Balance as of January 1	32.8	42.4
Additions	78.9	76.1
Released as no longer required	–13.1	–16.6
Utilized	–48.8	–67.4
Currency translation differences	–2.9	–1.8
Total income tax liabilities as of December 31	**46.8**	**32.8**
– thereof non-current	2.7	2.7
– thereof current	44.1	30.0

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

			2023			**2022**
millions of CHF	Assets	Liabilities	**Net**	Assets	Liabilities	**Net**
Intangible assets	15.0	–52.4	–37.4	11.8	–57.9	–46.1
Property, plant and equipment	5.2	–13.6	–8.4	3.6	–17.4	–13.7
Other financial assets	16.6	–1.1	15.6	21.3	–1.6	19.7
Inventories	27.4	–2.2	25.1	32.3	–2.1	30.3
Other assets	23.7	–55.9	–32.1	18.9	–30.7	–11.7
Defined benefit obligations	21.8	–0.1	21.7	20.7	–	20.7
Non-current provisions	9.6	–0.1	9.5	9.1	–1.0	8.0
Current provisions	23.9	–1.5	22.4	29.2	–1.0	28.2
Other liabilities	44.4	–23.0	21.3	53.6	–16.8	36.9
Tax loss carryforwards	23.1	–	23.1	23.5	–	23.5
Elimination of intercompany profits	1.0	–	1.0	1.1	–	1.1
Tax assets / liabilities	**211.7**	**–149.9**	**61.8**	**225.2**	**–128.3**	**96.9**
Offset of assets and liabilities	–66.8	66.8	–	–75.3	75.3	–
Net recorded deferred income tax assets and liabilities	144.9	–83.2	61.8	149.9	–53.0	96.9

Cumulative deferred income taxes recorded in equity as of December 31, 2023, amounted to CHF –12.5 million (2022: CHF 21.8 million). The group does not recognize any deferred taxes on investments in subsidiaries because it controls the dividend policy of its subsidiaries – i.e., the group controls the timing of reversal of the related taxable temporary differences and management is satisfied that no material amounts will reverse in the foreseeable future.

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

						2023
millions of CHF	**Balance as of January 1**	Recognized in profit or loss	Recognized in other comprehensive income	Divestment of subsidiaries	Currency translation differences	**Balance as of December 31**
Intangible assets	–46.1	5.7	–	–	3.0	–37.4
Property, plant and equipment	–13.7	4.5	–	–	0.8	–8.4
Other financial assets	19.7	–2.5	–	–	–1.7	15.6
Inventories	30.3	–3.9	–	–	–1.2	25.1
Other assets	–11.7	17.0	–36.7	–	–0.7	–32.1
Defined benefit obligations	20.7	–0.5	2.3	–	–0.8	21.7
Non-current provisions	8.0	2.2	–	–	–0.7	9.5
Current provisions	28.2	–4.5	–	–	–1.3	22.4
Other liabilities	36.9	–13.8	–	–	–1.7	21.3
Tax loss carryforwards	23.5	1.2	–	–0.6	–1.1	23.1
Elimination of intercompany profits	1.1	–0.1	–	–	–	1.0
Total	**96.9**	**5.4**	**–34.4**	**–0.6**	**–5.5**	**61.8**

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

Tax loss carryforwards (TLCF)

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	Unrecognized TLCF
					2023
Expiring in the next 3 years	2.5	0.1	–0.0	0.0	–
Expiring in 4–7 years	3.9	1.0	–0.0	1.0	0.4
Available without limitation	207.6	37.4	–15.4	22.0	90.5
Total tax loss carryforwards as of December 31	**213.9**	**38.5**	**–15.4**	**23.1**	**90.9**

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

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets have been recognized on tax loss carryforwards in the amount of CHF 90.9 million (2022: CHF 97.6 million) or on some step-ups in relation with the Swiss corporate tax reform (TRAF), which entered into effect on January 1, 2020.

Global Minimum top-up tax

The group operates in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Romania, South Korea, Sweden, Switzerland, and the United Kingdom, which has enacted new national legislation to implement the global minimum top-up tax. The group might be subject to the top-up tax in relation to its legal entities in Bahrain, Ireland, Qatar, and United Arab Emirates. As the new top-up tax legislation enacted in Switzerland implements only Qualified Domestic Top-up Tax (“QDMTT”) from January 1, 2024, the implementation of the QDMTTs in each individual country needs to be analyzed.

Furthermore, the Group has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax. The Group recognizes the top-up tax as a current tax when it incurs.

If the QDMTTs had applied in 2023, then the profits relating to the subsidiaries in Bahrain, Ireland, Qatar, and the United Arab Emirates for the year ended December 31, 2023, would not be subject to material top-up tax. The effective tax rate would not significantly increase.

14 Goodwill and other intangible assets

						2023
millions of CHF	**Goodwill**	Trademarks and licenses	Research and development	Computer software	Customer relationship	**Total**
Acquisition cost						
Balance as of January 1	1’016.9	92.5	16.1	50.7	399.5	1’575.6
Additions	–	–	0.0	5.1	0.9	6.1
Disposals	–	–	–	–0.7	–3.3	–4.0
Reclassifications	–	–	2.6	0.0	0.5	3.1
Currency translation differences	–38.9	–4.6	–0.1	–1.7	–19.2	–64.5
Balance as of December 31	**977.9**	**88.0**	**18.6**	**53.4**	**378.5**	**1’516.3**
Accumulated amortization and impairment losses						
Balance as of January 1	340.0	45.8	9.3	30.7	238.6	664.5
Additions [1]	–	7.9	1.3	2.8	24.6	36.6
Disposals	–	–	–	–0.7	–3.3	–4.0
Currency translation differences	–	–2.4	–0.0	–1.2	–11.9	–15.5
Balance as of December 31	**340.0**	**51.3**	**10.6**	**31.5**	**248.1**	**681.5**
Net book value						
As of January 1	676.9	46.7	6.7	20.0	160.8	911.2
As of December 31	637.9	36.6	8.0	21.8	130.4	834.8

1) In the statement of income, the amortization expense for trademark and licenses is recognized in “Research and development expense” and in “Selling and distribution expense”, the amortization expense for Customer relationship is primarily recognized in “Selling and distribution expense”.

						2022
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	**Total**
Acquisition cost						
Balance as of January 1	1’067.3	93.8	9.8	47.2	449.5	1’667.6
Divestitures of subsidiaries	–	–	–	–0.3	–1.4	–1.7
Classification as held for sale [2]	–8.6	–	–	–0.8	–12.6	–22.0
Additions	–	–	2.2	6.4	0.1	8.7
Disposals	–	–	–	–4.1	–8.6	–12.6
Reclassifications	–	–	4.1	1.8	0.2	6.0
Currency translation differences	–41.8	–1.3	–0.0	0.5	–27.7	–70.3
Balance as of December 31	**1’016.9**	**92.5**	**16.1**	**50.7**	**399.5**	**1’575.6**
Accumulated amortization and impairment losses						
Balance as of January 1	340.0	38.1	8.2	33.3	244.2	663.8
Divestitures of subsidiaries	–	–	–	–0.3	–1.4	–1.7
Classification as held for sale [2]	–	–	–	–0.3	–6.4	–6.7
Additions	–	8.4	1.1	2.3	27.0	38.8
Disposals	–	–	–	–4.1	–8.6	–12.6
Currency translation differences	–	–0.7	–0.0	–0.2	–16.2	–17.1
Balance as of December 31	**340.0**	**45.8**	**9.3**	**30.7**	**238.6**	**664.5**
Net book value						
As of January 1	727.3	55.7	1.6	14.0	205.3	1’003.8
As of December 31	676.9	46.7	6.7	20.0	160.8	911.2

1) In 2022, Goodwill in the amount of CHF 8.6 million and other intangible assets with a net book value of 6.7 million were allocated to the Russian disposal group and fully impaired. The impairments of CHF 15.3 million were recorded in other operating expenses (see note 11).

Goodwill impairment test

millions of CHF	2023 Goodwill	Headroom	Growth rate residual value	Pretax discount rate
Flow Equipment	362.3	628.5	2.0%	9.9%
Services	193.8	1’620.3	2.0%	10.8%
Chemtech	81.8	830.0	2.0%	10.9%
Total as of December 31	**637.9**	**3’078.8**		

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

Goodwill is allocated to the smallest cash-generating unit (CGU) at which goodwill is monitored for internal management purposes (i.e., division). The recoverable amount has been determined based on a value-in-use calculation. The three-year strategic plan approved by the Board of Directors in the first quarter of the year forms the basis for the projected cash flows, with two additional periods based on a management calculation. The budget and the three-year strategic plan were approved by the Board of Directors in February 2023. Cash flows beyond the planning period are extrapolated using a terminal value including a growth rate as stated above.

As of December 31, 2023, there is no indication of goodwill impairment. Updating the impairment test would not have resulted in any goodwill impairment.

Sensitivity analyses

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

Sensitivity analyses were performed with regards to key assumptions, that would not change the conclusions of the impairment test. An increase of the discount rate by 5.0 percentage points or a decrease of the terminal growth rate by 5.0 percentage points would still lead to a recoverable amount exceeding the carrying amount for all CGU's.

15 Property, plant and equipment

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total 2023
Acquisition cost					
Balance as of January 1	326.8	477.5	172.8	36.1	1'013.2
Divestitures of subsidiaries	–0.3	0.0	–0.1	–0.0	–0.4
Additions	3.0	13.8	7.4	35.3	59.5
Disposals	–1.6	–14.4	–9.4	–	–25.4
Reclassifications	9.6	13.8	6.0	–29.1	0.3
Currency translation differences	–22.9	–31.4	–11.1	–2.3	–67.7
Balance as of December 31	**314.6**	**459.4**	**165.6**	**39.9**	**979.5**
Accumulated depreciation					
Balance as of January 1	152.9	350.1	147.1	2.6	652.6
Divestitures of subsidiaries	–0.2	–0.1	–0.1	-	–0.3
Additions	9.7	24.5	9.6	-	43.9
Disposals	–1.0	–11.3	–9.0	-	–21.3
Impairments (Reversal)	-	–0.1	–0.1	-	–0.2
Currency translation differences	–11.1	–24.4	–7.8	–0.1	–43.4
Balance as of December 31	**150.4**	**338.7**	**139.7**	**2.4**	**631.3**
Net book value					
As of January 1	173.9	127.4	25.7	33.5	360.5
As of December 31	164.2	120.6	25.9	37.5	348.2

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

1) In 2022, property, plant and equipment with a net book value of CHF 16.2 million was included in the Russian disposal group classified as held for sale and fully impaired; reference is made to note 5. The impairments of CHF 16.2 million are recorded in other operating expenses (see note 11).

The group performed impairment tests on production machines and facilities, resulting in impairments amounting to CHF 0.6 million and reversal of impairments amounting to CHF 0.8 million as of December 31, 2023 (December 31, 2022: impairment of CHF 10.5 million), all of which were charged or credited to operating expenses.

In 2023, the group sold property, plant and equipment with a book value of CHF 4.1 million for CHF 4.6 million resulting in a net gain of CHF 0.5 million (2022: property, plant and equipment with a book value of CHF 3.6 million was sold for CHF 9.0 million, resulting in a net gain of CHF 5.5 million).

The contractual commitments to acquire property, plant and equipment as of December 31, 2023, amounted to CHF 5.1 million (December 31, 2022: CHF 5.0 million).

16 Leases

Lease assets

millions of CHF	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
				2023
Balance as of January 1	73.0	4.5	12.6	90.1
Additions	24.4	3.8	9.3	37.5
Depreciation	–19.1	–2.1	–6.3	–27.5
Impairments	–0.4	–	–	–0.4
Remeasurements and contract modifications	0.5	–0.1	–1.3	–0.8
Currency translation differences	–4.3	–0.4	–0.9	–5.6
Total lease assets as of December 31	**74.1**	**5.7**	**13.4**	**93.2**

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

1) In 2022, lease assets with a book value of CHF 0.7 million were included in the Russian disposal group classified as held for sale and fully impaired, reference is made to Note 5. The impairments of CHF 0.7m are recorded in other operating expenses (see note 11).

Lease liabilities

	2023	2022
Balance as of January 1	89.6	88.8
Classification as held for sale	–	–0.5
Additions	37.5	43.3
Interest expenses	2.5	2.0
Cash flow for repayments – principal portion	–28.3	–32.1
Cash flow for repayments – interest portion	–2.5	–2.0
Remeasurements and contract modifications	–0.4	–6.0
Currency translation differences	–5.4	–4.0
Total lease liabilities as of December 31	**93.0**	**89.6**
- thereof non-current lease liabilities	69.0	67.2
- thereof current lease liabilities	23.9	22.4

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

Other leasing disclosures

millions of CHF	2023	2022
Recognized in the income statement		
Expenses relating to short-term leases	–15.8	–13.8
Expenses relating to low-value asset leases, excluding short-term leases of low-value assets	–1.5	–1.0
Expenses relating to variable lease payments not included in the lease liability	–2.7	–2.7
Income from subleasing right-of-use assets	0.3	0.5
Interest expenses on lease liabilities	–2.5	–2.0
Total recognized in the income statement	**–22.3**	**–19.0**
Recognized in the statement of cash flows		
Cash flow for short-term, low-value asset and variable leases (included within cash flow from operating activities)	–20.1	–17.6
Cash flow from subleasing right-of-use assets (included within cash flow from operating activities)	0.3	0.5
Cash flow for repayments of interest on lease liabilities (included within cash flow from operating activities)	–2.5	–2.0
Cash flow for repayments of the principal portion on lease liabilities (included within cash flow from financing activities)	–28.3	–32.1
Total cash outflow	**–50.5**	**–51.1**

17 Associates and joint ventures

millions of CHF	2023	2022
Balance as of January 1	41.8	25.5
Additions	17.8	20.9
Reclassifications	1.8	–
Share of profit / (loss) of associates and joint ventures	–3.2	–2.7
Dividend payments received	–0.2	–0.1
Currency translation differences	–3.2	–1.8
Total investments in associates and joint ventures as of December 31	**54.7**	**41.8**
- thereof investments in associates:	54.5	41.8
- thereof investments in joint ventures:	0.2	–

In February 2023, the group acquired a strategic stake in Fuenix Ecogy Holding B.V., a circular technology company, for CHF 10.1 million and classified the investment as an investment in associates. In September 2023, the group acquired an additional ownership in Cellicon Holding B.V. for CHF 6.5 million, in addition to an existing ownership of CHF 3.0 million and the total investment was classified as an investment in associate.

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

18 Other financial assets

millions of CHF				2023
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized costs	Total
Balance as of January 1	24.4	8.8	9.3	42.5
Recognized through deconsolidation	–	–	3.1	3.1
Additions	1.0	–	0.3	1.3
Repayments [1]	–	–	–7.8	–7.8
Changes in fair value	3.3	0.7	–	4.0
Other non-cash items	–	–	2.6	2.6
Reclassifications	–3.0	–	–	–3.0
Currency translation differences	–1.7	–	–0.2	–2.0
Balance as of December 31	**23.8**	**9.5**	**7.4**	**40.7**
– thereof non-current	22.2	9.5	6.7	38.4
– thereof current	1.6	–	0.7	2.3

1) Repayments in the amount of CHF 4.9 million are presented in the statement of cash flows in “Divestitures and deconsolidation of subsidiaries, net of cash”.

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

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

The financial assets in the category “financial assets at fair value through other comprehensive income” are comprised of medmix shares amounting to CHF 9.5 million (2022: CHF 8.8 million), which were received as part of the Applicator Systems spin-off in 2021. The financial investment in medmix Ltd is recognized at its fair value based on the share price of medmix Ltd (a level 1 hierarchy valuation). Management has designated this investment at fair value through other comprehensive income at initial recognition. In 2023, fair value changes amounting to CHF 0.7 million (2022: CHF –13.7 million) were recorded in other comprehensive income, with an associated deferred tax effect of CHF –0.1 million (2022: CHF 2.7 million). The dividend received amounted to CHF 0.2 million (2022: CHF 0.2 million).

19 Inventories

millions of CHF	2023	2022
Raw materials, supplies and consumables	166.9	192.3
Work in progress	255.4	250.3
Finished products and trade merchandise	72.8	79.9
Total inventories as of December 31	**495.1**	**522.4**

In 2023, the group recognized write-downs of CHF 16.6 million in the income statement. In 2022, the total write downs amounted to CHF 49.8 million, of which CHF 31.4 million were recorded in connection with the Russian business that was classified as 'held for sale' in that year. The accumulated write-downs on inventories amounted to CHF 72.7 million as of December 31, 2023 (2022: CHF 79.9 million). Material expenses in 2023 amounted to CHF 1’239.4 million (2022: CHF 1’192.1 million).

20 Assets and liabilities related to contracts with customers

millions of CHF	2023	2022
Sales recognized over time related to ongoing performance obligations	625.2	641.5
Sales recognized over time related to satisfied performance obligations	519.9	511.6
Sales recognized over time	**1’145.1**	**1’153.1**
Sales recognized at a point in time	2’136.6	2’026.8
Sales	**3’281.7**	**3’179.9**
– thereof sales recognized included in the contract liability balance at the beginning of the period	382.3	324.5
– thereof sales recognized from performance obligations satisfied (or partially satisfied) in previous periods	–0.0	0.1
Contract assets from sales recognized over time relating to ongoing performance obligations	1’048.4	1’087.4
Expected loss rate	0.1%	0.2%
Allowance for expected losses	–1.3	–2.4
Reversal of write-offs / (write-offs) on contract assets in the disposal group classified as held for sale (see note 5)	2.0	–26.8
Netting with contract liabilities	–619.0	–592.1
Contract assets	**430.1**	**466.1**
Contract liabilities from costs recognized over time relating to ongoing performance obligations	145.4	119.2
Advance payments from customers relating to point in time contracts	203.7	172.9
Advance payments from customers relating to over time contracts	720.8	682.3
Netting with contract assets	–619.0	–592.1
Contract liabilities	**451.0**	**382.3**
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	1’946.8	1’844.7
– thereof expected to be recognized as revenue within 12 months	1’810.9	1’650.5
– thereof expected to be recognized in more than 12 months	135.9	194.2

21 Trade accounts receivable

Aging structure of trade accounts receivable

	2023				2022			
millions of CHF	Expected loss rate	Gross amount	Allowance	Net book value	Expected loss rate	Gross amount	Allowance	Net book value
Not past due	0.1%	393.1	–0.4	392.7	0.9%	439.0	–3.7	435.2
Past due								
1–30 days	0.7%	61.7	–0.5	61.2	0.9%	61.6	–0.6	61.1
31–60 days	2.6%	29.3	–0.8	28.6	1.5%	31.7	–0.5	31.2
61–120 days	6.4%	24.9	–1.6	23.3	8.4%	20.7	–1.7	19.0
>120 days	53.7%	75.7	–40.6	35.0	52.2%	81.6	–42.6	39.0
Total trade accounts receivable as of December 31		**584.7**	**–43.8**	**540.8**		**634.6**	**–49.1**	**585.5**

Allowance for doubtful trade accounts receivable

millions of CHF	2023	2022
Balance as of January 1	49.1	56.5
Reclassification as held for sale	–	–8.6
Additions	9.0	19.3
Released as no longer required	–7.4	–10.1
Utilized	–3.8	–7.6
Currency translation differences	–3.1	–0.3
Balance as of December 31	**43.8**	**49.1**

The recoverability of trade accounts receivable is regularly reviewed, and the credit quality of new customers is thoroughly assessed. Due to the large and heterogeneous customer base, the credit risk from individual customers of the group is limited. The allowance for doubtful trade accounts receivable is based on expected credit losses by country and by division. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP).

Accounts receivable by geographical region

millions of CHF	2023	2022
Europe, the Middle East and Africa	**250.0**	**265.9**
– thereof United Kingdom	52.1	48.0
– thereof Saudi Arabia	32.8	38.6
– thereof France	24.9	23.4
– thereof Spain	20.7	21.7
– thereof Germany	18.4	22.8
Americas	**131.0**	**124.8**
– thereof USA	79.7	75.3
Asia-Pacific	**159.8**	**194.8**
– thereof China	102.8	127.5
Total as of December 31	**540.8**	**585.5**

22 Other current receivables and prepaid expenses

millions of CHF	2023	2022
Taxes (VAT, withholding tax)	61.3	55.8
Derivative financial instruments	13.9	13.2
Other current receivables	22.6	23.4
Total other current receivables as of December 31	**97.8**	**92.4**
Prepaid expenses	25.6	36.3
Total prepaid expenses as of December 31	**25.6**	**36.3**
Total other current receivables and prepaid expenses as of December 31	**123.4**	**128.7**

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

23 Cash and cash equivalents

millions of CHF	2023	2022
Cash	780.8	939.6
Cash equivalents	193.9	256.8
Total cash and cash equivalents as of December 31	**974.7**	**1’196.3**

As of December 31, 2023, the group held restricted cash and cash equivalents of CHF 13.5 million (2022: CHF 15.7 million).

24 Equity

Share capital

thousands of CHF	2023 Number of shares	2023 Share capital	2022 Number of shares	2022 Share capital
Balance as of December 31 (par value CHF 0.01)	34’262’370	342.6	34’262’370	342.6

The share capital amounts to CHF 342’623.70, made up of 34’262’370 shares with dividend entitlement and a par value of CHF 0.01. All shares are fully paid in and registered. On December 31, 2023, conditional share capital amounted to CHF 17’000 (2022: CHF 17’000), consisting of 1’700’000 shares with a par value of CHF 0.01.

Share ownership

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

Shareholders holding more than 3%

	Dec 31, 2023 Number of shares	Dec 31, 2023 in %	Dec 31, 2022 Number of shares	Dec 31, 2022 in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16’728’414	48.82	16’728’414	48.82
The Capital Group Companies, Inc.	1’034’950	3.02	1’034’950	3.02

Retained earnings

The retained earnings include prior years’ undistributed income of consolidated companies and all remeasurements of the net defined benefit assets and liabilities and other transactions recorded directly in retained earnings.

Treasury shares

During 2023, the group acquired 260’000 treasury shares for CHF 20.9 million (2022: 281’349 shares for CHF 19.5 million). The total number of shares held by the group as of December 31, 2023, amounted to 451’074 treasury shares (December 31, 2022: 523'855 shares).

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

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. Amounts are reclassified to profit or loss when the associated hedged transaction affects the income statement.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of controlled entities, whose functional currency differs from the reporting currency of the group. The cumulative amount is reclassified to profit or loss when the net investment is derecognized.

Acquisition of non-controlling interests without a change of control

Reference is made to note 4.

Transactions with non-controlling interests

An agreement entered with non-controlling shareholders of a subsidiary, agreeing on a fixed profit distribution for that subsidiary, resulted in the recognition of liability and a reduction in non-controlling interests.

Contribution from medmix

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

Dividends

On April 19, 2023, the Annual General Meeting approved an ordinary dividend of CHF 3.50 (2022: ordinary dividend of CHF 3.50) per share to be paid out of reserves. The dividend was paid to shareholders on April 25, 2023. The total amount of the dividend to shareholders of Sulzer Ltd was CHF 118.9 million (2022: CHF 118.7 million), thereof paid dividends of CHF 80.9 million (2022: CHF 80.6 million), and unpaid dividends of CHF 38.1 million (2022: CHF 38.1 million). The unpaid dividends are reflected in the balance sheet position “Other current and accrued liabilities” (see note 28).

The Board of Directors decided to propose to the Annual General Meeting 2024 a dividend for the year 2023 of CHF 3.75 per share (2022: CHF 3.50).

25 Earnings per share

	2023	2022
Net income attributable to shareholders of Sulzer Ltd (millions of CHF)	**229.1**	**28.6**
Issued number of shares	34’262’370	34’262’370
Adjustment for average treasury shares held	–377’719	–436’556
Average number of shares outstanding as of December 31	**33’884’651**	**33’825’814**
Adjustment for share participation plans	490’686	697’151
Average number of shares for calculating diluted earnings per share as of December 31	**34’375’337**	**34’522’965**
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF) as of December 31		
Basic earnings per share	6.76	0.85
Diluted earnings per share	6.67	0.83

26 Borrowings

millions of CHF	2023 Non-current borrowings	2023 Current borrowings	2023 Total
Balance as of January 1	1’043.9	311.4	1’355.3
Cash flow from proceeds	–	26.0	26.0
Cash flow for repayments	–0.0	–324.9	–325.0
Changes in amortized costs	0.3	0.1	0.4
Other non-cash increase	0.9	0.1	1.0
Reclassifications	–249.9	249.9	0.0
Currency translation differences	–0.1	–1.5	–1.6
Total borrowings as of December 31	**795.2**	**261.1**	**1’056.3**

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

Borrowings by currency

	2023			2022		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
CHF	1’044.2	98.9	1.4%	1’333.8	98.4	1.4%
INR	4.7	0.4	5.6%	8.3	0.6	4.4%
IDR	3.3	0.3	8.7%	6.3	0.5	7.1%
USD	1.5	0.1	3.8%	5.0	0.4	3.8%
AED	0.9	0.1	2.8%	–	–	–
EUR	0.5	0.0	–	–	–	–
Other	1.2	0.1	–	1.9	0.1	–
Total as of December 31	**1’056.3**	**100.0**	**–**	**1’355.3**	**100.0**	**–**

As of December 2023, Sulzer had access to a syndicated credit facility of CHF 500 million maturing on December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders' approval). In 2022 and 2023, the group exercised the options, extending the term of the credit facility in the amount of CHF 415 million to December 2028. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of December 31, 2023, and 2022, the syndicated facility was not used.

Outstanding bonds

	2023		2022	
millions of CHF	Amortized costs	Nominal	Amortized costs	Nominal
0.875% 07/2016–07/2026	124.9	125.0	125.0	125.0
1.300% 07/2018–07/2023	-	-	289.9	290.0
1.600% 10/2018–10/2024	250.0	250.0	249.9	250.0
0.800% 09/2020–09/2025	299.8	300.0	299.6	300.0
0.875% 11/2020–11/2027	199.8	200.0	199.7	200.0
3.350% 12/2022–11/2026	169.7	170.0	169.6	170.0
Total as of December 31	**1'044.1**	**1'045.0**	**1'333.8**	**1'335.0**
– thereof non-current	794.2	795.0	1'043.9	1'045.0
– thereof current	250.0	250.0	289.9	290.0

On July 6, 2023, Sulzer repaid CHF 290.0 million for the second and last tranche of a bond issued in 2018. This second tranche had a term of 5 years and carried a coupon of 1.300%.

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

All the outstanding bonds are traded on SIX Swiss Exchange.

27 Provisions

						2023
millions of CHF	Other employee benefits	Warranties / liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	44.5	92.3	8.1	11.4	57.8	214.1
Additions	8.0	41.6	5.2	1.2	35.9	91.9
Released as no longer required	–4.2	–9.6	–2.2	–	–16.5	–32.6
Utilized	–7.1	–19.4	–4.7	–0.1	–32.5	–63.9
Reclassification [1]	–6.0	–	–	–	–	–6.0
Currency translation differences	–1.9	–6.0	–1.3	–0.2	–2.0	–11.4
Total provisions as of December 31	**33.2**	**98.8**	**5.0**	**12.4**	**42.6**	**192.0**
– thereof non-current	22.0	2.8	0.5	12.3	9.1	46.7
– thereof current	11.2	96.0	4.6	0.0	33.4	145.3

1) Includes a reclassification of CHF 6.0 million to the defined benefit obligation, see note 9.

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

The category “Other employee benefits” includes provisions for jubilee gifts 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. Warranties that provide customers with assurance that the product complies with the agreed specifications, are accounted for as provisions over the agreed warranty period.

In 2023, the group utilized CHF 4.7 million (2022: CHF 12.7 million) of restructuring provisions mainly relating to resizing measures of sites in Europe and the USA initiated in 2020 and 2021 and resizing measures in Indonesia initiated in 2022. The group recorded restructuring provisions of CHF 5.2 million (2022: CHF 1.8 million), partly offset by released restructuring provisions of CHF 2.2 million (2022: CHF 1.7 million). Restructuring costs mainly relate to reorganization in the Flow equipment division. The remaining restructuring provision as of December 31, 2023, is CHF 5.0 million, of which CHF 4.6 million is expected to be utilized within one year.

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

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to onerous contracts and indemnities, in particular related to divestitures. In addition, provisions for ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, the group is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although the group expects a large part of the category “Other” to be realized in 2024, by their nature, the amounts and timing of any cash outflows are difficult to predict.

28 Other current and accrued liabilities

millions of CHF	2023	2022
Liability related to the purchase of treasury shares	88.1	92.9
Outstanding dividend payments	277.2	239.2
Taxes (VAT, withholding tax)	31.4	33.0
Derivative financial instruments	3.2	7.0
Notes payable	–	20.6
Contingent consideration	–	1.9
Other current liabilities	38.9	43.6
Total other current liabilities as of December 31	**438.9**	**438.2**
Contract-related costs	121.3	137.8
Salaries, wages and bonuses	121.9	108.9
Vacation and overtime claims	23.0	22.4
Other accrued liabilities	147.3	167.3
Total accrued liabilities as of December 31	**413.5**	**436.5**
Total other current and accrued liabilities as of December 31	**852.4**	**874.7**

The outstanding dividend payments of CHF 277.2 million (2022: CHF 239.2 million) are explained in note 24.

29 Derivative financial instruments

	2023				2022			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
millions of CHF	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange rate contracts	817.6	13.9	276.1	3.2	575.4	13.2	607.6	7.0
Total as of December 31	**817.6**	**13.9**	**276.1**	**3.2**	**575.4**	**13.2**	**607.6**	**7.0**
– thereof due in <1 year	817.6	13.9	276.1	3.2	571.5	13.2	597.7	7.0
– thereof due in 1–5 years	–	–	–	–	3.9	0.1	9.9	0.0

In 2023, the notional value and the fair value of derivative assets and liabilities consists of current derivative financial instruments. Some of these derivative assets and liabilities are dedicated as hedging instruments for cash flow hedges. The cash flow hedges of expected future sales were assessed as highly effective. In 2023, the net unrealized gains for cash flow hedges recorded in the cash flow hedge reserves in other comprehensive income amount to CHF 8.3 million (2022: losses of CHF 7.5 million), net of a deferred tax impact of CHF 2.7 million (2022: CHF 2.6 million). As of December 31, 2023, the accumulated cash flow hedge reserve amounts to CHF 5.3 million (2022: CHF –5.7 million) with the recognition of net deferred tax liabilities of CHF 1.0 million (2022: deferred tax assets of CHF 1.6 million) relating to these cash flow hedges included in the cash flow hedge reserves. In 2023, gains of CHF 2.6 million (2022: gains of CHF 0.1 million) were reclassified from the cash flow hedge reserves to the income statement. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The hedged, highly probable forecast transactions denominated in foreign currencies are mostly expected to occur at various dates during the next 12 months. Gains and losses recognized in the cash flow hedge reserve in equity on forward foreign exchange contracts as of December 31, 2023, are recognized either in sales, cost of goods sold or other operating income / expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (5 to 10 years).

The group enters into derivative financial instruments under enforceable master netting arrangements. These agreements do not meet the criteria for offsetting derivative assets and derivative liabilities in the consolidated balance sheet. As of December 31, 2023, the amount subject to such netting arrangements was CHF 2.1 million (2022: CHF 2.7 million). Considering the effect of these agreements, the amount of derivative assets would reduce from CHF 13.9 million to CHF 11.8 million (2022: from CHF 13.2 million to CHF 10.5 million), and the amount of derivative liabilities would reduce from CHF 3.2 million to CHF 1.1 million (2022: from CHF 7.0 million to CHF 4.3 million).

30 Contingent liabilities

millions of CHF	2023	2022
Guarantees in favor of third parties	9.9	9.1
Total contingent liabilities as of December 31	**9.9**	**9.1**

As of December 31, 2023, guarantees provided to third parties amounted to CHF 9.9 million (2022: CHF 9.1 million) and relate to disposed businesses.

31 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	2023	2022
Restricted share unit plan	0.9	1.6
Performance share plan	11.7	13.8
Total charged to personnel expenses	**12.6**	**15.4**

The compensation charged to personnel expenses for the services received during the period amounts to CHF 12.6 million including CHF 11.6 million relating to equity-settled plans credited in the retained earnings. The remaining CHF 1.0 million corresponds to cash-settled plans.

Restricted share unit plan settled in Sulzer shares

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

Given the spin-off of the Applicator Systems division in 2021, the group neutralized the consequences from the demerger for the restricted share plans. The number of originally granted RSU was recalculated to neutralize the effect of the spin-off on the share price, resulting in the same fair value before and after the spin-off and did not impact the share-based payments expense.

Restricted share units

Grant year	2023	2022	2021	2020	2019	Total
Outstanding as of January 1, 2022	**–**	**–**	**16’632**	**14’164**	**4’078**	**34’874**
Granted	–	11’637	–	–	–	11’637
Exercised	–	–	–10’344	–10’994	–4’078	–25’416
Outstanding as of December 31, 2022		**11’637**	**6’288**	**3’170**	**–**	**21’095**
Outstanding as of January 1, 2023	**–**	**11’637**	**6’288**	**3’170**	**–**	**21’095**
Granted	10’128	–	–	–	–	10’128
Exercised	–	–6’279	–4’344	–3’170	–	–13’793
Outstanding as of December 31, 2023	**10’128**	**5’358**	**1’944**	**–**	**–**	**17’430**
Average fair value at grant date in CHF	77.05	77.82	106.32	65.22	97.76	

Performance share plan settled in Sulzer shares

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

Vesting of the PSUs is subject to continuous employment and to the achievement of performance conditions over the performance period. Participants are not entitled to dividends declared during the vesting period. Vesting of the performance share plans (PSP) is based on three performance conditions: operational income before restructuring, amortization, impairments and non-operational items (operational profit) in the last year of the performance period (weighted 25%), average operational return on capital employed (operational ROCEA) (weighted 25%), and Sulzer's total return to shareholders (TSR), compared to a selected group of peer companies (weighted 50%).

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

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

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

Grant year	2023	2022	2021	2020	2019
Fair value at grant date	88.38	84.69	124.95	78.18	115.95
Share price at grant date	77.45	76.35	101.12	76.05	92.46
Expected volatility	28.76%	35.59%	34.68%	37.45%	29.64%
Risk-free interest rate	1.96%	0.39%	–0.58%	–0.64%	–0.57%

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

Performance share units – terms of awards

Grant year	2023	2022	2021	2020	2019
Number of awards granted	99’244	97’930	90’527	151’422	112’857
Grant date	April 1, 2023	April 1, 2022	April 1, 2021	June 1, 2020	April 1, 2019
Performance period for cumulative operational profit	01/23–12/25	01/22–12/24	01/21–12/23	01/20–12/22	01/19–12/21
Performance period for TSR	01/23–12/25	01/22–12/24	01/21–12/23	01/20–12/22	01/19–12/21
Fair value at grant date in CHF	88.38	84.69	124.95	78.18	115.95

Performance share units

Grant year	2023	2022	2021	2020	2019	Total
Initially granted	99’244	97’930	90’527	151’422	112’857	551’980
APS division spin-off restatement	–	–	44’801	74’680	53’141	172’622
Outstanding as of January 1, 2022	**–**	**–**	**127’491**	**210’194**	**151’809**	**489’494**
Granted	–	97’930	–	–	–	97’930
Exercised	–	–998	–3’788	–6’202	–151’809	–162’797
Forfeited	–	–2’746	–6’634	–4’828	–	–14’208
Outstanding as of December 31, 2022	**–**	**94’186**	**117’069**	**199’164**	**–**	**410’419**
Outstanding as of January 1, 2023	**–**	**94’186**	**117’069**	**199’164**	**–**	**410’419**
Granted	99’244	–	–	–	–	99’244
Exercised	–1’576	–6’666	–6’470	–199’164	–	–213’876
Forfeited	–3’386	–10’587	–1’867	–	–	–15’840
Outstanding as of December 31, 2023	**94’282**	**76’933**	**108’732**	**–**	**–**	**279’947**

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

Key management compensation

	2023				2022			
thousands of CHF	Short-term benefits	Equity-based compensation	Pension and social security contributions	**Total**	Short-term benefits	Equity-based compensation	Pension and social security contributions	**Total**
Board of Directors	1’231	780	272	2’283	1’152	905	283	2’340
Executive Committee	8’681	3’231	1’892	13’804	7’065	2’822	1’649	11’536

As of December 31, 2023, there are no outstanding loans with members of the Board of Directors or the Executive Committee. No shares have been granted to members of the Board of Directors, the Executive Committee, or related persons, with the exception of shares granted in connection with equity-settled plans and service awards.

Transactions and balances with associates and joint ventures

In 2023, the group recorded transactions and balances with associates. Sales with associates amounted to CHF 0.5 million (2022: CHF 0.0 million), the operating expenses amounted to CHF 1.5 million (2022: CHF 2.5 million). As of December 31, 2023, loan receivables amount to CHF 2.0 million (2022: CHF 0.0 million), payables amount to CHF 0.1 million (2022: CHF 0.4 million). See note 17 for details on the investments in associates.

Transactions and balances with other related parties

In 2023, sale or other operating income with other related parties amounted to zero (2022: CHF 0.0 million), and operating expenses in relation to goods and services purchased amount to zero (2022: CHF 0.0 million). Open payables with related parties amounted to CHF 365.4 million (2022: CHF 332.0 million), of which CHF 88.1 million (2022: CHF 92.9 million) related to the purchase of treasury shares (see note 28) and CHF 277.2 million (2022: CHF 239.2 million) related to outstanding dividend payments (see note 24 and note 28).

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

33 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 3.7 million (2022: CHF 4.1 million). Additional services provided by the group auditor amounted to a total of CHF 0.6 million (2022: CHF 1.9 million). This amount includes CHF 0.2 million (2022: CHF 0.2 million) for tax services and CHF 0.4 million (2022: CHF 1.7 million) for other services.

34 Key accounting policies and valuation methods

34.1 Basis of preparation

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

- financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income; and
- net position from defined benefit plans, where plan assets are measured at fair value and the plan liabilities are measured at the present value of the defined benefit obligations (see note 34.18 a).

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

Rounding

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

Tables

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

34.2 Change in accounting policies

a) Standards, amendments and interpretations which were effective for 2023

Starting from January 1, 2023, the group applied changes in standards, amendments and interpretations that became effective January 1, 2023. None of these changes had a material effect on the financial statements of the group.

The group has adopted the amendments to IAS 12 International Tax Reform – Pillar Two Model Rules upon their release in May 2023. The amendments are effective immediately and provide a mandatory temporary exception from deferred tax accounting for the top-up tax and introduce new disclosures on the Pillar Two impact. The mandatory exception from deferred tax accounting applies retrospectively. No new tax legislation implementing top-up tax was enacted or substantively enacted on December 31, 2022, in any of the jurisdiction in which the group is operating and no related deferred tax assets or liabilities were recognized at that date. The retrospective application has no impact on the group's financial statements.

b) Standards, amendments and interpretations issued but not yet effective, which the group decided not to adopt early in 2023

The following amended standards will become effective from January 1, 2024. The group does not expect these to have a material impact on the consolidated financial statements:

- Amendments to IAS 1 – Classification of liabilities as current or non-current and non-current liabilities with covenants. The amendments provide clarification when an entity should classify liabilities as current or non-current and introduce new disclosure requirements for non-current liabilities that are subject to future covenants.
- Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback. The amendments provide further clarification how the lease liability should be measured by a seller-lessee.
- Amendments to IAS 7 and IFRS 7 – Disclosure of supplier finance arrangements. The amendments introduce new disclosure requirements for supplier finance arrangements that should allow users to assess the impact of such agreements on an entity's liabilities, cash flows and liquidity risk.

The following amended standards will become effective from January 1, 2025. The group is in the process of assessing the below amendments and does currently not expect these to have a material impact on the consolidated financial statements:

- Amendments to IAS 21 – Lack of exchangeability

34.3 Consolidation

a) Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree and the equity interest issued by the group. Any goodwill arising is tested annually for impairment. Any gain on a bargain purchase is recognized in the income statement immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

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

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

b) Subsidiaries

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

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

c) Non-controlling interests

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

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

d) Associates and joint ventures

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

e) Transactions eliminated on consolidation

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

34.4 Segment reporting

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

34.5 Foreign currency translation

a) Functional and presentation currency

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

The following table shows the major currency exchange rates for the reporting periods 2023 and 2022:

	2023		2022	
CHF	**Average rate**	**Year-end rate**	**Average rate**	**Year-end rate**
EUR 1	0.97	0.93	1.00	0.98
GBP 1	1.12	1.08	1.18	1.11
USD 1	0.90	0.84	0.95	0.92
CNY 100	12.68	11.89	14.19	13.29
INR 100	1.09	1.01	1.21	1.12

b) Transactions and balances

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

c) Subsidiaries

The results and balance sheet positions of subsidiaries that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

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

Translation differences resulting from consolidation are taken to other comprehensive income. In the event of a sale or liquidation of foreign subsidiaries, exchange differences that were recorded in other comprehensive income are recognized in the income statement as part of the gain or loss on sale or liquidation.

If a loan is made to a group company, and the loan in substance forms part of the group's investment in the group company, translation differences arising from the loan are recognized directly in other comprehensive income as foreign currency translation differences. When the group company is sold or partially disposed of, and control no longer exists, gains and losses accumulated in equity are reclassified to the income statement as part of the gain or loss on disposal.

34.6 Intangible assets

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

a) Goodwill

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

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

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

b) Trademarks and licenses

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

c) Computer software

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

d) Customer relationships

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

34.7 Property, plant and equipment

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

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

The useful lives are as follows:
Buildings: 20–50 years
Machinery: 5–15 years
Technical equipment: 5–10 years
Other non-current assets: max. 5 years

34.8 Impairment of property, plant and equipment and intangible assets

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

34.9 Lease assets and lease liabilities

The group recognizes lease assets and lease liabilities for most leases (these leases are on-balance-sheet). However, the group has elected not to recognize lease assets and lease liabilities for leases of low-value assets and short-term leases. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group presents lease assets and lease liabilities as separate line items on the balance sheet.

The group recognizes lease assets and lease liabilities at the lease commencement date. The lease asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements. The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses currency and duration specific incremental borrowing rates for the discounting.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised, or a termination option is reasonably certain not to be exercised.

34.10 Financial assets

Financial assets are classified into the following three categories:

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

Debt instruments

Financial assets measured at amortized cost

Initially, financial assets are recognized at fair value. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured subsequently at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the income statement and presented in other financial income / (expenses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the income statement.

Equity instruments

The group measures all equity investments at fair value. Where the group is holding equity instruments not for trading and group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income (OCI), there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in the income statement as other income when the group’s right to receive payments is established. A gain or loss on an equity investment that is subsequently measured at FVTPL is recognized in the income statement and presented within other operating income and expenses or other financial income and expenses, depending on the nature of the investment, in the period in which it arises.

34.11 Derivative financial instruments and hedging activities

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

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

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

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

34.12 Inventories

Raw materials, supplies and consumables are stated at the lower of cost or net realizable value. Finished products and work in progress are stated at the lower of production cost or net realizable value. Production cost includes the costs of materials, direct and indirect manufacturing costs, and contract-related costs of construction. Inventories are valued by reference to weighted average costs. Provisions are made for slow-moving and excess inventories and are recognized in the income statement in Costs of goods sold.

34.13 Trade receivables

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

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

34.14 Cash and cash equivalents

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

34.15 Trade payables

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

34.16 Borrowings

Financial debt is stated at fair value when initially recognized, after recognition of transaction costs. In subsequent periods, it is valued at amortized cost. Any difference between the amount borrowed (after deduction of transaction costs) and the repayment amount is reported in the income statement over the duration of the loan using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

34.17 Current and deferred income taxes

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

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

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

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

34.18 Employee benefits

a) Defined benefit plans

The group’s net obligation in respect of defined benefit plans is calculated separately for each plan. The calculation of defined benefit assets / obligations is performed annually by a qualified actuary using the projected unit credit method. The net obligation is estimated based on the discounted future benefit that employees have earned in the current and prior periods, deducting the fair value of any plan assets. The discount rate is determined with reference to the interest rates on high-quality corporate bonds denominated in the currency of the expected cash flows and aligned with the estimated term.

When the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

b) Defined contribution plans

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

c) Other employee benefits

Some subsidiaries provide other employee benefits such as jubilee gifts to their employees. Jubilee gifts are other long-term benefits. For example, in Switzerland, the group makes provisions for jubilee benefits based on a Swiss local directive. The provisions are reported in the category “Other employee benefits”.

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

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

34.19 Share-based compensation

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

a) Performance share plan (PSP)

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

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

b) Restricted share plan (RSP)

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

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

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

34.20 Provisions

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

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

34.21 Sales

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

The core principle is that sales are recognized at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring goods or services to a customer.

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

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

There are two methods to recognize sales:

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

The group determines at contract inception whether control of each performance obligation transfers to a customer over time or at a point in time. Arrangements where the performance obligations are satisfied over time are not limited to services arrangements. The assessment of whether control transfers over time or at a point in time is critical to the timing of revenue recognition.

Over time method (OT)

Sales are recognized over time if any of the following is met:

- The customer simultaneously receives / consumes as the group performs.
- The group creates/enhances an asset and the customer controls it during this process.
- The created asset has no alternative use for the group and the group has an enforceable right to payment (including reasonable profit margin) for performance completed to date if the customer terminates the contract for convenience.

The over time method is based on the percentage of costs to date compared with the total estimated contract costs (cost-to-cost method). In rare cases, other methods, such as a milestones method, may be used for a particular project, assuming that the stage of completion can be better estimated than by applying the cost-to-cost method. Work progress of sub-suppliers is considered to determine the stage of completion. If circumstances arise that may change the original estimates of sales, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated sales or costs, and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

The income statement contains a share of sales, including an estimated share of profit. The balance sheet includes the corresponding contract assets if the assets exceed the advance payments from the customer of the project. When it appears probable that the total costs of an order will exceed the expected income, the total amount of expected loss is recognized immediately in the income statement.

Point in time method (PIT)

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time is met. Sales are recognized when (or as) the customer obtains control of that asset (depending on international commercial terms). The following points indicate that a customer has obtained control of an asset:

- The entity has a present right to payment
- The customer has legal title
- The customer has physical possession
- The customer has the significant risks and rewards of ownership
- The customer has accepted the asset

For contracts applying the point in time method, the transfer of risks and rewards of ownership (depending on international commercial terms) typically depicts the transfer of control most appropriately.

Disaggregation of sales

In the segment information (note 3), sales are disaggregated by:

- Divisions (group’s reportable segments)
- Timing of sales recognition (sales recognition method: over time, point in time) and divisions
- Market segments and divisions
- Geographical regions and divisions

Payment terms

The group’s general terms and conditions of supply require payments within 30 days after the invoice date.

If the group’s general terms and conditions apply for a contract, the group is entitled to issue the invoices as follows: for one-third of the contract value within five days after effective date (date when the purchase order has been accepted by the supplier, or the date of the latest signing), for one-third after expiration of half of the delivery time, and for one-third within 45 days prior to delivery. Payments for prices calculated on a time basis are invoiced on a biweekly basis or after completion of the scope of supply, whichever occurs first.

Other payment terms may apply if otherwise defined in the customer contract, the purchase order, the respective change order or the quotation.

Variable considerations

If the consideration promised in a contract includes a variable amount (e.g., liquidated damages, early payment discount, volume discounts), the group estimates the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expects will better predict the amount of consideration to which it will be entitled: the expected value method or the most likely amount method. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled.

If the group fails to meet the delivery date and a purchase order expressly provides liquidated damages for such failure, the purchaser is entitled to demand that the group pay liquidated damages at the rate stated in the purchase order. The group's obligation for estimated liquidated damages are recorded as a reduction in revenue.

Allocation of the transaction price

To allocate the transaction price to each performance obligation on a relative stand-alone, selling-price basis, the group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. If the stand-alone selling price is not directly observable, then the group estimates the amount with the expected cost-plus-margin method.

35 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated financial statements for issue on February 21, 2024. They are subject to approval at the Annual General Meeting, which will be held on April 16, 2024. At the time when these consolidated financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any events that would materially affect these financial statements.

36 Major subsidiaries

December 31, 2023

	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research and development	Production and engineering	Sales	Service
Europe								
Switzerland	Sulzer Chemtech AG, Winterthur	100%	CHF 10’000’000	•	•	•	•	•
	Sulzer Markets and Technology AG, Winterthur	100%	CHF 4’000’000	•				
	Sulzer Management AG, Winterthur	100%	CHF 500’000	•				
	Tefag AG, Winterthur	100%	CHF 500’000	•				
	Sulzer International AG, Winterthur	100%	CHF 100’000	•				
Belgium	Sulzer Pumps Wastewater Belgium N.V.,Anderlecht	100%	EUR 123’947	•			•	•
	Ensival Moret Belgium SA, Thimister-Clermont	100%	EUR 7’400’000	•				
Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	100%	EUR 3’000’000	•	•	•	•	•
	Sulzer Pumps Wastewater Germany GmbH, Bonn	100%	EUR 300’000	•			•	•
	Sulzer Chemtech GmbH, Krefeld	100%	EUR 300’000	•			•	•
	Nordic Water GmbH, Neuss	100%	EUR 25’565		•	•	•	•
Denmark	Sulzer Pumps Denmark A/S, Farum	100%	DKK 501’000	•			•	•
Finland	Sulzer Pumps Finland Oy, Kotka	100%	EUR 16’000’000	•	•	•	•	•
France	Sulzer Pompes France SASU, Buchelay	100%	EUR 6’600’000	•	•	•	•	•
	Sulzer Ensival Moret France SASU, Saint-Quentin	100%	EUR 10’000’000	•		•	•	•
UK	Sulzer Pumps (UK) Ltd., Leeds	100%	GBP 9’610’000		•	•	•	•
	Sulzer Chemtech (UK) Ltd., Stockton on Tees	100%	GBP 100’000				•	•
	Sulzer Services (UK) Ltd., Birmingham	100%	GBP 48’756			•	•	•
	Sulzer (UK) Holdings Ltd., Leeds	100%	GBP 6’100’000	•				
	Alba Power Ltd., Aberdeen	100%	GBP 1		•	•	•	•
Ireland	Sulzer Pump Solutions Ireland Ltd., Wexford	100%	EUR 2’222’500	•	•	•	•	•
	Sulzer Finance (Ireland) Limited, Wexford	100%	EUR 100					
Italy	Sulzer Italy S.r.l., Casalecchio di Reno	100%	EUR 600’000	•			•	
Norway	Sulzer Pumps Wastewater Norway A/S, Sandvika	100%	NOK 502’000	•			•	•
	Sulzer Pumps Norway A/S, Klepp Stasjon	100%	NOK 500’000	•			•	•
	Nordic Water Products A/S, Straume	100%	NOK 150’000				•	•
The Netherlands	Sulzer Pumps Wastewater Netherlands B.V., Maastricht-Airport	100%	EUR 45’378				•	•
	Sulzer Chemtech Nederland B.V., Breda	100%	EUR 1’134’451				•	•
	Sulzer Turbo Services Venlo B.V., Lomm	100%	EUR 443’940		•	•	•	•
	Sulzer Netherlands Holding B.V., Lomm	100%	EUR 10’010’260	•				
	Sulzer Capital B.V., Lomm	100%	EUR 50’000					
Austria	Sulzer Austria GmbH, Wiener Neudorf	100%	EUR 350’000	•			•	•
Romania	Sulzer GTC Technology Romania S.R.L., Bucharest	100%	RON 1’345’070	•		•		
Sweden	Sulzer Pumps Sweden AB, Vadstena	100%	SEK 3’000’000	•	•	•	•	•
	Nordic Water Products AB, Mölndal	100%	SEK 200’000		•	•	•	•
Spain	Sulzer Pumps Spain S.A., Madrid	100%	EUR 1’750’497	•		•	•	•
	Sulzer Pumps Wastewater Spain S.A.U., Rivas Vaciamadrid	100%	EUR 2’000’000				•	•

North America								
Canada	Sulzer Pumps (Canada) Inc., Burnaby	100%	CAD 2’771’588			•	•	•
	Sulzer Chemtech Canada Inc., Edmonton	100%	CAD 1’000’000	•		•	•	•
	Sulzer Rotating Equipment Services (Canada) Ltd., Edmonton	100%	CAD 7’000’000	•		•	•	•
	JWC Environmental Canada ULC, Burnaby	100%	CAD 1’832’816			•	•	
USA	Sulzer Pumps (US) Inc., Houston, Texas	100%	USD 40’381’108		•	•	•	•
	Sulzer Pumps Solutions Inc., Easley, South Carolina	100%	USD 25’589’260			•	•	•
	Sulzer Pump Services (US) Inc., Houston, Texas	100%	USD 1’000			•	•	•
	Sulzer Chemtech USA, Inc., Tulsa, Oklahoma	100%	USD 47’895’000		•	•	•	•
	Sulzer Turbo Services Houston Inc., La Porte, Texas	100%	USD 18’840’000			•	•	•
	Sulzer Turbo Services New Orleans Inc., Belle Chasse, Louisiana	100%	USD 4’006’122			•	•	•
	Sulzer Electro-Mechanical Services (US) Inc., Pasadena, Texas	100%	USD 12’461’286			•	•	•
	Sulzer US Holding Inc., Houston, Texas	100%	USD 310’335’340	•				
	JWC Environmental Inc., Santa Ana, California	100%	USD 220’818’520		•	•	•	•
	Sulzer GTC Technology US Inc., Houston, Texas	100%	USD 1		•	•	•	•
Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	100%	MXN 4’887’413	•		•	•	•
	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	100%	MXN 231’345’500	•		•	•	•
Central and South America								
Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	100%	ARS 9’730’091	•		•	•	•
Brazil	Sulzer Brasil S.A., Jundiaí	100%	BRL 81’789’432	•		•	•	•
	Sulzer Pumps Wastewater Brasil Ltda., Jundiaí	100%	BRL 37’966’785	•		•	•	•
Chile	Sulzer Bombas Chile Ltda., Vitacura	100%	CLP 46’400’000	•			•	
Colombia	Sulzer Pumps Colombia S.A.S., Cota	100%	COP 7’142’000’000	•			•	•
Africa								
South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	75%	ZAR 100’450’000		•	•	•	•
	Sulzer (South Africa) Holdings (Pty) Ltd., Elandsfontein	100%	ZAR 16’476	•		•	•	•
Morocco	Sulzer Maroc S.A.R.L. A.U., Nouaceur	100%	MAD 3’380’000	•				•
Nigeria	Sulzer Pumps (Nigeria) Ltd., Lagos	100%	NGN 5’000’000	•			•	•
Zambia	Sulzer Zambia Ltd., Chingola	100%	ZMK 15’000’000	•			•	•
Middle East								
United Arab Emirates	Sulzer Pumps Middle East FZCO, Dubai	100%	AED 500’000	•			•	•
Saudi Arabia	Sulzer Saudi Pump Company Limited, Riyadh	100%	SAR 44’617’000	•		•	•	•
Bahrain	Sulzer Chemtech Middle East W.L.L., Al Seef	100%	BHD 50’000	•			•	
Asia								
India	Sulzer Pumps India Pvt. Ltd., Navi Mumbai	100%	INR 24’893’500	•		•	•	•
	Sulzer India Pvt. Ltd., Pune	100%	INR 34’500’000	•		•	•	•
	Sulzer Tech India Pvt. Ltd., Navi Mumbai	100%	INR 100’000	•		•		
Indonesia	PT. Sulzer Indonesia, Purwakarta	95%	IDR 28’234’800’000	•		•	•	•
Japan	Sulzer Daiichi K.K., Tokyo	60%	JPY 30’000’000	•			•	
	Sulzer Japan Ltd., Tokyo	100%	JPY 30’000’000	•		•	•	•

Malaysia	Sulzer Pumps Wastewater Malaysia Sdn. Bhd., Selangor Darul Ehsan	100%	MYR 1’000’000	•			•	
Singapore	Sulzer Singapore Pte. Ltd., Singapore	100%	SGD 1’000’000	•		•	•	•
South Korea	Sulzer Korea Ltd., Seoul	100%	KRW 222’440’000	•			•	
	Sulzer GTC Technology Korea Co. Ltd., Seoul	100%	KRW 4’870’000’000	•		•	•	•
Thailand	Sulzer (Thailand) Co., Ltd., Rayong	100%	THB 25’000’000	•				•
People’s Republic of China	Sulzer Dalian Pumps & Compressors Ltd., Dalian	100%	CHF 21’290’000	•		•	•	•
	Sulzer Pumps Suzhou Ltd., Suzhou	100%	CNY 282’069’324	•		•	•	•
	Sulzer Pump Solutions (Kunshan) Co., Ltd., Kunshan	100%	USD 5’760’000	•		•		
	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	100%	CNY 54’267’608	•	•	•	•	•
	Sulzer Pumps Wastewater Shanghai Co. Ltd., Shanghai	100%	USD 1’550’000	•			•	•
	Sulzer GTC (Beijing) Technology Inc., Beijing	100%	USD 150’000	•	•	•	•	•
	Nordic Water Products (Beijing) Co., Ltd., Beijing	100%	USD 800’000				•	•
Australia								
	Sulzer Australia Pty Ltd., Brisbane	100%	AUD 5’308’890				•	•
	Sulzer Australia Holding Pty Ltd., Brendale	100%	AUD 34’820’100	•				

KPMG

Statutory Auditor's Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sulzer Ltd and its subsidiaries (the Group), which comprise the "Consolidated balance sheet" as at December 31, 2023, the "Consolidated income statement", "Consolidated statement of comprehensive income", "Consolidated statement of changes in equity" and "Consolidated statement of cash flows" for the year then ended, and "Notes to the consolidated financial statements", including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters

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

Accounting for warranties and other costs to fulfil contract obligations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter

As per December 31, 2023, revenue from customer contracts amounts to CHF 3’281.7 million, contract assets amount to CHF 430.1 million, contract liabilities to CHF 451.0 million and the balance of work in progress (WIP) amounts to CHF 255.4 million.

Under IFRS 15 revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service.

Revenue and related costs from long-term customer orders (construction and service contracts) are recognized over time (OT), provided they fulfill the criteria of International Financial Reporting Standards, specifically having the right to payment in case of termination for convenience. The OT method allows recognizing revenues by reference to the stage of completion of the contract. The application of the OT method is complex and requires judgments by management when estimating the stage of completion, total project costs and the costs to complete the work. Incorrect assumptions and estimates can lead to revenue being recognized in the wrong reporting period or in amounts inadequate to the actual stage of completion, and therefore to an incorrect result for the period.

During order fulfillment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated project costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision.

Regarding the projects recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period as well as overstated WIP that requires impairment adjustments.

Our response

Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts.

For the revenue recognized throughout the year, we evaluated selected key controls, including results reviews by management, and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions.

These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed inquiries with management to understand their project risk assessments and inspected meeting minutes from project reviews performed by management to identify relevant changes in their assessments and estimates. We challenged these assessments and estimates for OT projects including comparing estimated project financials between reporting periods and assessed the historical accuracy of these estimates.

On a sample basis, we reconciled revenue to the supporting documentation, validated estimates of costs to complete, tested the mathematical accuracy of calculations and the adequacy of project accounting. We also examined costs included within contract assets on a sample basis by verifying the amounts back to source documentation and tested their recoverability through comparing the net realizable values as per the agreements with estimated cost to complete.

We further performed testing for PIT projects on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off.

For further information on Customer contracts – existence and accuracy of revenue, valuation of contract assets, work in progress (WIP) and accuracy of contract liabilities refer to the following:

- Note 19 to the consolidated financial statements
- Note 20 to the consolidated financial statements

Accounting for warranties and other costs to fulfil contract obligations

Key Audit Matter

As per December 31, 2023, provisions in the amount of CHF 98.8 million are held on the balance sheet to cover expected costs arising from product warranties. Additional expected costs to fulfil contract obligations from onerous contracts are recorded as other provisions.

Sulzer is exposed to claims from customers for not meeting contractual obligations. Remedying measures, addressing technical shortcomings or settlement negotiations with clients, may take several months and cause additional costs. The assessment of these costs to satisfy order related obligations contains management assumptions with a higher risk of material misjudgment.

Our response

Based on our knowledge gained through contract and project reviews, we assessed the need for and the accuracy of provisions.

We further challenged management’s contract risk assessments by inquiries, inspection of meeting minutes and review of correspondence with customers where available.

Where milestones or contract specifications were not met, we challenged the recognition and appropriateness of provisions by recalculating the amounts, obtaining written management statements and evidence from supporting documents such as correspondence with clients or legal assessments of external counsels where available.

We also evaluated the historical accuracy of estimates made by management through retrospective reviews. In order to gain a complete and clear understanding of legal matters we further performed inquiry procedures with the office of Sulzer’s General Counsel and reviewed relevant documents.

For further information on accounting for warranties and other cost to fulfil contract obligations refer to the following:

- Note 27 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of the company, the compensation report and our auditor’s reports thereon.

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

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

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

Board of Directors’ Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Miriam von Gunten
Licensed Audit Expert

Zurich, February 21, 2024

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

Supplementary information

Alternative performance measures (APM)

The financial information included in this report includes certain alternative performance measures (APMs), which are not accounting measures as defined by IFRS. These APMs should not be used instead of, or considered as alternatives to, the group's consolidated financial results based on IFRS. These APMs may not be comparable to similarly titled measures disclosed by other companies. All APMs presented relate to the performance of the current reporting period and comparative periods.

Definition of alternative performance measures (APM)

Order intake

Order intake includes all registered orders of the period that will be recorded or have already been recorded as sales. The reported value of an order corresponds to the undiscounted value of sales that the group expects to recognize following delivery of goods or services subject to the order, less any trade discounts and excluding value added or sales tax. Adjustments, corrections and cancellations resulting from updating the order backlog are respectively included in the amount of the order intake.

Order intake gross margin

The order intake gross margin is defined as the expected gross profit of order intake divided by order intake.

Order backlog

Order backlog represents the undiscounted value of sales the group expects to generate from orders on hand at the end of the reporting period.

Return on sales (ROS)

ROS measures the profitability relative to sales. ROS is calculated by dividing EBIT by sales.

Operational profit

Operational profit is used to determine the profitability of the business, without considering impairments, restructuring expenses and other non-operational items and before interest, taxes and amortization. Non-operational items include significant acquisition-related expenses, gains and losses from sale of businesses or real estate, and certain non-operational items that are non-recurring or do not occur in similar magnitude.

Operational profitability

Operational profitability measures how the group turns sales into operating profits. Operational profitability is calculated by dividing operational profit by sales.

Operational ROCEA (operational return on capital employed)

Operational ROCEA measures how the group generates operational profits from its capital employed. Operational ROCEA is calculated by dividing operational profit by average capital employed.

Capital employed

Capital employed refers to the amount of capital investment the group uses to operate and provides an indication of how the group is investing its money. For the calculation of the capital employed, please refer to the reconciliation statement below.

EBITDA (earnings before interest, taxes, depreciation and amortization)

The group uses EBITDA to determine the net debt/EBITDA ratio. EBITDA is defined as EBIT before depreciation, amortization and impairment.

Core net income

Core net income is used to determine the dividend proposal. Sulzer's long-term target is to maintain a dividend payout ratio of approximately 40% to 70% of core net income with due consideration to liquidity and funding requirements as well as continuity. Core net income is defined as net income before tax-adjusted effects on restructuring, amortization, impairments and non-operational items.

Free cash flow (FCF)

FCF is used to assess the group's ability to generate the cash required to conduct and maintain its operations. It also indicates the group's ability to generate cash to finance dividend payments, repay debt and to undertake merger and acquisition activities. FCF is calculated based on the IFRS cash flow from operating activities and adjusted for capital expenditures (investments in property, plant and equipment and intangible assets).

Net debt

Net debt is used to monitor the group's overall short- and long-term liquidity. Net debt is calculated as the sum of total current and non-current borrowings and lease liabilities less cash and cash equivalents and current financial assets.

Net debt/EBITDA ratio

Net debt/EBITDA is a ratio measuring the amount of income generated and available to pay down debt before covering interest, taxes, depreciations and amortization expenses. The net debt/EBITDA ratio is used as a measurement of leverage. It is calculated as net debt divided by EBITDA.

Gearing ratio (borrowings-to-equity ratio)

The gearing ratio compares the borrowings and lease liabilities relative to the equity. The gearing ratio represents the group's leverage, comparing how much of the business's funding comes from borrowed funds (lenders) versus company owners (shareholders). The gearing ratio is defined as borrowings and lease liabilities divided by equity attributable to shareholders of Sulzer Ltd.

Currency-adjusted growth

Certain percentage changes in the financial review and the business review divisions have been calculated using constant exchange rates, which allow for an assessment of the group's financial performance with the effects of exchange rate fluctuations eliminated. The currency-adjusted growth is calculated by applying the previous year's exchange rates for the current year and calculating the growth without currency effects.

Organic growth

Organic growth measures changes with the same period in the previous year after adjusting for effects arising from acquisitions, divestitures/deconsolidations and foreign exchange differences.

The impact of the organic growth is determined as follows:

- Currency-adjusted growth as described above
- For the current-year acquisitions, by deducting the currency-adjusted amount generated during the current-year by the acquired entities
- For prior-year acquisitions, by deducting the currency-adjusted amount generated over the months during which the acquired entities were not consolidated in the previous year
- For current-year disposals, by adding the currency-adjusted amount generated by the divested entities in the previous year over the months during which those entities were no longer consolidated in the current year
- For the prior-year disposals, by adding for the current year the currency-adjusted amount generated in the previous year by the divested entities

Reconciliation statements for alternative performance measures (APM)

For reconciliation statements of operational profit, operational profitability, core net income and free cash flow, please refer to the section “Financial review”, for EBITDA, net debt and gearing ratio to note 7 and for operational ROCEA to the table below.

Operational ROCEA reconciliation statement

millions of CHF	2023	2022
Total assets	4’369.5	4’620.2
./. Other intangible assets	–196.8	–234.3
./. Cash and cash equivalents	–974.7	–1’196.3
./. Current financial assets	–2.3	–14.0
./. Total current and non-current income and deferred tax assets and liabilities	–45.3	–92.4
./. Total non-current liabilities	–1’125.3	–1’348.6
./. Total current liabilities	–2’145.6	–2’217.5
Non-current borrowings	795.2	1’043.9
Current borrowings	261.1	311.4
Liability related to the purchase of treasury shares	88.1	92.9
Outstanding dividend payments	277.2	239.2
Adjustment for average calculation and currency translation differences	–12.6	135.8
Average capital employed	**1’288.6**	**1’340.2**
Operational profit	365.6	317.6
Average capital employed	1’288.6	1’340.2
Operational ROCEA	**28.4%**	**23.7%**

Five-year summaries of key financial data

Key figures from consolidated income statement and statement of cash flows[1)]

millions of CHF	2023	2022	2021	2020 [2)]	2019 [2)]
Order intake	3’580.3	3’425.4	3’167.6	3’049.2	3’322.1
Currency-adjusted growth order intake	12.6%	9.2%	3.6%	–1.1%	n/a
Order intake gross margin	33.9%	33.5%	33.1%	32.6%	32.0%
Order backlog	1’946.8	1’844.7	1’724.1	1’676.8	1’731.8
Sales	3’281.7	3’179.9	3’155.3	2’967.8	3’307.9
Operating income (EBIT)	329.7	111.4	221.8	132.5	202.8
Operational profit	365.6	317.6	293.3	255.0	283.1
Operational profitability	11.1%	10.0%	9.3%	8.6%	8.6%
Net income attributable to shareholders of Sulzer Ltd	229.1	28.6	1’416.7	83.6	154.0
– in percentage of equity attributable to shareholders of Sulzer Ltd (ROE)	20.9%	2.8%	111.2%	6.0%	9.7%
Basic earnings per share (in CHF)	6.76	0.85	41.93	2.46	4.52
Depreciation	–71.4	–76.0	–81.0	–78.3	–79.7
Amortization	–36.6	–38.8	–50.2	–46.7	–45.5
Impairments of tangible and intangible assets	–0.2	–44.5	–4.2	–9.4	–3.1
Research and development expenses	–70.8	–66.4	–64.4	–63.8	–62.7
Personnel expenses	–1’030.8	–1’002.4	–1’018.1	–1’014.4	–1’078.7
Capital expenditure (incl. lease assets)	–103.1	–100.0	–119.4	–88.0	–100.8
Free cash flow (FCF)	301.3	58.3	210.5	262.6	156.8
FCF conversion (free cash flow/net income)	1.31	2.08	1.50	3.67	1.18
Employees (number of full-time equivalents) as of December 31	13’130	12’868	13’816	13’197	14’685

1) The comparatives are based on the foreign currency exchange rates of the respective year and are not adjusted for changes in currency exchange rates.
2) Comparative information has been re-presented due to discontinued operations in 2021.

Key figures from consolidated balance sheet[1)]

millions of CHF	2023	2022	2021	2020 [2)]	2019
Non-current assets	1'685.9	1'584.2	1'834.2	2'279.9	2'172.0
– thereof property, plant and equipment	348.2	360.5	394.0	545.3	544.4
Current assets	2'683.5	3'036.0	3'176.2	3'087.1	2'937.5
– thereof cash and cash equivalents	974.7	1'196.3	1'505.4	1'123.2	1'035.5
Total assets	4'369.5	4'620.2	5'010.4	5'367.0	5'109.5
Equity attributable to shareholders of Sulzer Ltd	1'095.4	1'024.3	1'273.8	1'404.3	1'580.7
Non-current liabilities	1'125.3	1'348.6	1'568.8	1'976.0	1'644.1
– thereof non-current borrowings	795.2	1'043.9	1'164.6	1'491.3	1'199.2
– thereof non-current lease liabilities	69.0	67.2	64.5	90.2	82.3
Current liabilities	2'145.6	2'242.9	2'162.3	1'973.8	1'871.5
– thereof current borrowings	261.1	311.4	345.5	231.8	131.0
– thereof current lease liabilities	23.9	22.4	24.3	29.5	27.4
Net debt	172.3	234.6	66.8	414.5	346.9
Net debt/EBITDA ratio	0.39	0.87	0.15	1.26	0.84
Equity ratio [3)]	25.1%	22.2%	25.4%	26.1%	30.9%

1) The comparatives are based on the foreign currency exchange rates of the respective year and are not adjusted for changes in currency exchange rates.
2) Comparative information has been re-presented due to discontinued operations in 2021. The balance sheet as of December 31, 2020, has been adjusted following the finalization of the purchase price accounting and measurement period adjustments related to acquisitions in 2020. Defined benefit assets are presented as non-current assets and comparative information is re-presented.
3) Equity attributable to shareholders of Sulzer Ltd in relation to total assets.

Five-year summaries by division

	Order intake 1)					Sales 1)				
millions of CHF	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)
Flow Equipment	1’466.5	1’419.2	1’324.7	1’297.6	1’458.9	1’354.4	1’323.0	1’389.0	1’296.3	1’477.0
Services	1’271.3	1’171.3	1’163.4	1’130.8	1’193.2	1’154.8	1’117.0	1’117.7	1’078.3	1’167.0
Chemtech	842.5	834.9	679.5	620.8	670.0	772.5	739.9	648.5	593.1	664.0
Total	**3’580.3**	**3’425.4**	**3’167.6**	**3’049.2**	**3’322.1**	**3’281.7**	**3’179.9**	**3’155.3**	**2’967.8**	**3’307.9**

	Order backlog 1)					Employees 3)				
millions of CHF	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)
Flow Equipment	878.3	850.1	811.5	845.0	924.3	5’465	5’263	5’325	5’362	5’759
Services	547.3	492.9	479.5	435.0	422.2	4’630	4’559	4’571	4’449	4’900
Chemtech	521.2	501.7	433.2	396.9	385.3	2’849	2’852	3’734	3’221	3’803
Divisions	**1’946.8**	**1’844.7**	**1’724.1**	**1’676.8**	**1’731.8**	**12’944**	**12’674**	**13’631**	**13’032**	**14’463**
Others						186	194	185	165	222
Total	**1’946.8**	**1’844.7**	**1’724.1**	**1’676.8**	**1’731.8**	**13’130**	**12’868**	**13’816**	**13’197**	**14’685**

	Operational profit 1)					Operational profitability				
millions of CHF	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)	**2023**	**2022**	**2021**	**2020** 2)	**2019** 2)
Flow Equipment	108.2	87.4	81.4	55.2	59.7	8.0%	6.6%	5.9%	4.3%	4.0%
Services	171.3	159.0	158.7	150.3	164.5	14.8%	14.2%	14.2%	13.9%	14.1%
Chemtech	95.0	80.0	64.8	56.9	63.8	12.3%	10.8%	10.0%	9.6%	9.6%
Divisions	**374.5**	**326.4**	**304.9**	**262.4**	**288.0**	**11.4%**	**10.3%**	**9.7%**	**8.8%**	**8.7%**
Others	–8.9	–8.8	–11.6	–7.4	–4.9	n/a	n/a	n/a	n/a	n/a
Total	**365.6**	**317.6**	**293.3**	**255.0**	**283.0**	**11.1%**	**10.0%**	**9.3%**	**8.6%**	**8.6%**

1) The comparatives are based on the foreign currency exchange rates of the respective year and are not adjusted for changes in currency exchange rates.
2) Comparative information has been re-presented due to discontinued operations in 2021.
3) Number of full-time equivalents as of December 31.

Five-year summaries by region

Order intake by region[1)]

millions of CHF	2023	2022	2021	2020 [2)]	2019 [2)]
Europe, the Middle East and Africa	1’278.3	1’322.9	1’281.2	1’211.6	1’375.8
Americas	1’353.8	1’193.2	1’051.8	1’009.5	1’134.6
Asia-Pacific	948.2	909.3	834.6	828.2	811.7
Total	**3’580.3**	**3’425.4**	**3’167.6**	**3’049.2**	**3’322.1**

1) The comparatives are based on the foreign currency exchange rates of the respective year and are not adjusted for changes in currency exchange rates.
2) Comparative information has been re-presented due to discontinued operations in 2021.

Sales by region[1)]

millions of CHF	2023	2022	2021	2020 [2)]	2019 [2)]
Europe, the Middle East and Africa	1’246.0	1’207.9	1’297.5	1’198.1	1’306.9
Americas	1’199.8	1’142.8	978.1	1’027.1	1’165.3
Asia-Pacific	836.0	829.2	879.7	742.6	835.8
Total	**3’281.7**	**3’179.9**	**3’155.3**	**2’967.8**	**3’307.9**

1) The comparatives are based on the foreign currency exchange rates of the respective year and are not adjusted for changes in currency exchange rates.
2) Comparative information has been re-presented due to discontinued operations in 2021.

Employees by company location[1)]

millions of CHF	2023	2022	2021	2020 [2)]	2019 [2)]
Europe, the Middle East and Africa	5’445	5’602	5’795	5’709	6’246
Americas	3’642	3’422	4’207	3’960	4’429
Asia-Pacific	4’043	3’845	3’815	3’528	4’010
Total	**13’130**	**12’868**	**13’816**	**13’197**	**14’685**

1) Number of full-time equivalents as of December 31.
2) Comparative information has been re-presented due to discontinued operations in 2021.

Balance sheet of Sulzer Ltd

December 31

millions of CHF	Notes	2023	2022
Current assets			
Cash and cash equivalents	3	275.7	388.0
Marketable securities		–	8.8
Accounts receivable from subsidiaries		207.3	324.2
Prepaid expenses and other current accounts receivable		6.3	3.1
Total current assets		**489.3**	**724.1**
Non-current assets			
Loans to subsidiaries		621.2	743.9
Financial assets		23.7	12.3
Investments in subsidiaries	4	1’545.2	1’486.6
Investments in associates		22.0	5.4
Total non-current assets		**2’212.1**	**2’248.2**
Total assets		**2’701.4**	**2’972.3**
Current liabilities			
Current interest-bearing liabilities	6	250.0	289.9
Current liabilities with subsidiaries		6.5	0.2
Current liabilities with shareholders		365.7	332.3
Accrued liabilities and other current liabilities		8.4	11.9
Current provisions		4.7	5.2
Total current liabilities		**635.3**	**639.5**
Non-current liabilities			
Non-current interest-bearing liabilities	6	794.3	1’043.9
Non-current provisions		33.1	33.2
Total non-current liabilities		**827.4**	**1’077.1**
Total liabilities		**1’462.7**	**1’716.6**
Equity			
Registered share capital	5	0.3	0.3
Legal capital reserves	5	155.5	155.5
Reserves from capital contribution		200.7	200.7
Voluntary retained earnings			
– Free reserves	5	791.5	891.5
– Retained earnings		31.7	48.8
– Net profit for the year		95.7	1.8
Treasury shares	5	–36.7	–42.9
Total equity		**1’238.7**	**1’255.7**
Total equity and liabilities		**2’701.4**	**2’972.3**

Income statement of Sulzer Ltd

January 1 – December 31

millions of CHF	Notes	2023	2022
Income			
Investment income	**9**	200.6	160.0
Financial income	**11**	41.9	44.0
Other income	**10**	44.2	42.3
Total income		**286.7**	**246.3**
Expenses			
Administrative expenses	**8**	100.9	70.1
Financial expenses	**11**	66.7	45.7
Investment and loan expenses	**9**	14.1	118.5
Other expenses		8.2	9.3
Direct taxes		1.1	0.9
Total expenses		**191.0**	**244.5**
Net profit for the year		**95.7**	**1.8**

Statement of changes in equity of Sulzer Ltd

January 1 – December 31

millions of CHF	Share capital	Legal reserves	Reserves from capital contribution	Free reserves	Retained earnings	Net income	Treasury shares	Total
Equity as of January 1, 2022	**0.3**	**155.5**	**200.7**	**891.5**	**46.2**	**121.3**	**–51.0**	**1’364.5**
Dividend						–118.7		–118.7
Allocation of net income					2.6	–2.6		–
Net profit for the year						1.8		1.8
Change in treasury shares							8.1	8.1
Equity as of December 31, 2022	**0.3**	**155.5**	**200.7**	**891.5**	**48.8**	**1.8**	**–42.9**	**1’255.7**
Dividend						–118.9		–118.9
Allocation of net income				–100.0	–17.1	117.1		–
Net profit for the year						95.7		95.7
Change in treasury shares							6.2	6.2
Equity as of December 31, 2023	**0.3**	**155.5**	**200.7**	**791.5**	**31.7**	**95.7**	**–36.7**	**1’238.7**

Notes to the financial statements of Sulzer Ltd

1 General information

Sulzer Ltd, Winterthur, Switzerland (the company), is the parent company of the Sulzer group. Its financial statements are prepared in accordance with Swiss law and serve as complementary information to the consolidated financial statements.

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

2 Key accounting policies and principles

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

Investments in subsidiaries and third parties

The participations are valued at acquisition cost or if the value is lower, at value in use, using generally accepted valuation principles.

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities are recognized in the balance sheet at amortized cost. Discounts and issue costs for bonds are amortized on a straight-line basis over the bond's maturity period.

Share-based payments

Sulzer Ltd operates a share-based payment program that covers the Board of Directors. Restricted share units (RSU) are granted annually. The plan features graded vesting over a three-year period. One RSU award is settled with one Sulzer share at the end of the vesting period. Awards automatically vest with the departure from the Board. The fair value of the Sulzer share at vesting date is recognized as compensation to the Board of Directors.

Foregoing a cash flow statement and additional disclosures in the notes

As Sulzer Ltd has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on audit fees and interest-bearing liabilities in the notes and a cash flow statement in accordance with the law.

3 Cash and cash equivalents

As of December 2023, Sulzer had access to a syndicated credit facility of CHF 500 million maturing on December 31, 2026. The facility includes two one-year extension options and a further option to increase the credit facility by CHF 250 million (subject to lenders' approval). In 2022 and 2023, the group exercised the options, extending the term of the credit facility in the amount of CHF 415 million to December 2028. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of December 31, 2023, and 2022, the syndicated facility was not used.

4 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by Sulzer Ltd is included in note 36 to the consolidated financial statements.

5 Equity

Share capital

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

Shareholders holding more than 3%

	Dec 31, 2023		Dec 31, 2022	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16’728’414	48.82	16’728’414	48.82
The Capital Group Companies, Inc.	1’034’950	3.02	1’034’950	3.02

Treasury shares held by Sulzer Ltd

	2023		2022	
millions of CHF	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	523’855	42.9	534’733	51.0
Purchase	260’000	20.9	281’349	19.5
Share-based remuneration	–332’781	–27.1	–292’227	–27.6
Balance as of December 31	**451’074**	**36.7**	**523’855**	**42.9**

The total number of treasury shares held by Sulzer Ltd as of December 31, 2023, amounted to 451'074 (December 31, 2022: 523'855 shares), which are mainly held for the purpose of issuing shares under the management share-based payment programs.

6 Interest-bearing liabilities

millions of CHF	2023 Book value	2023 Nominal	2022 Book value	2022 Nominal
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	–	–	289.9	290.0
1.600% 10/2018–10/2024	250.0	250.0	249.9	250.0
0.800% 09/2020–09/2025	299.8	300.0	299.6	300.0
0.875% 11/2020–11/2027	199.8	200.0	199.7	200.0
3.350% 12/2022–12/2026	169.7	170.0	169.7	170.0
Total as of December 31	**1'044.3**	**1'045.0**	**1'333.8**	**1'335.0**
– thereof non-current	794.3	795.0	1'043.9	1'045.0
– thereof current	250.0	250.0	289.9	290.0

All the outstanding bonds are traded on SIX Swiss Exchange.

7 Contingent liabilities

millions of CHF	2023	2022
Guarantees, sureties and comfort letters for subsidiaries		
– to banks and insurance companies	845.5	937.3
– to customers	216.3	258.2
– to others	399.3	455.7
Guarantees for third parties	9.3	9.0
Total contingent liabilities as of December 31	**1'470.4**	**1'660.2**

As of December 31, 2023, CHF 406.3 million (2022: CHF 410.8 million) in guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

8 Administrative expenses

millions of CHF	2023	2022
Compensation of Board of Directors	2.6	1.8
Other administrative expenses	98.3	68.3
Total administrative expenses	**100.9**	**70.1**

Sulzer Ltd does not have any employees. The compensation of the Board of Directors includes share-based payments and remuneration. Other administrative expenses contain management services and recharges from subsidiaries.

9 Investment income and investment and loan expenses

In 2023, the investment income contains ordinary and extraordinary dividend payments from subsidiaries amounting to CHF 182.3 million (2022: CHF 142.9 million). The release of allowances on investments amounts to CHF 17.6 million (2022: CHF 0.0 million). The income from the sale of subsidiaries amounts to CHF 0.4 million (2022: CHF 7.0 million), net.

The investment and loan expenses contain allowances on investments amounting to CHF 10.5 million (2022: CHF 44.6 million) and waivers on loans and receivables amounting to CHF 0.8 million (2022: CHF 71.3 million). The share of loss from associates amounts to CHF 2.9 million (2022: CHF 2.5 million).

10 Other income

The income from trademark license amounts to CHF 44.2 million (2022: CHF 42.3 million).

11 Financial income and expenses

The financial income contains interests on loans with subsidiaries amounting to CHF 35.1 million (2022: CHF 42.1 million) and CHF 2.5 million (2022: CHF 0.5 million) with banks. The realized and unrealized gain on marketable securities amounts to CHF 4.3 million (2022: loss of CHF 18.5 million).

The financial expenses contain mainly interest expenses on interest-bearing liabilities of CHF 17.5 million (2022: CHF 15.8 million). The foreign currency revaluation on intercompany loans resulted in a loss of CHF 48.8 million (2022: loss of CHF 11.4 million).

12 Share participation of the Board of Directors, Executive Committee and related parties

Restricted share units for members of the Board

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. The number of RSU is determined by dividing the fixed grant value by the volume-weighted share price of the last ten days prior to the grant date. One-third of the RSU each vest after the first, second and third anniversaries of the grant date, respectively. Upon vesting, one vested RSU is converted into one share in Sulzer Ltd. The vesting period for RSU granted to the members of the Board of Directors ends no later than on the date on which the member steps down from the Board.

					2023
	Sulzer shares	Restricted share units (RSU) 1)	Performance share units (PSU) 2021 2)	Performance share units (PSU) 2022 3)	Performance share units (PSU) 2023 4)
Board of Directors	**9’320**	**17’430**	**–**	**–**	**–**
Suzanne Thoma	2’559	2’886	–	–	–
Markus Kammüller	536	3’085	–	–	–
Alexey Moskov	2’114	3’295	–	–	–
David Metzger	1’736	3’295	–	–	–
Per Utnegaard	1’375	1’623	–	–	–
Hariolf Kottmann	1’000	1’623	–	–	–
Prisca Havranek-Kosicek	–	1’623	–	–	–
Executive Committee	**11’114**	**–**	**4’264**	**14’362**	**36’548**
Suzanne Thoma	2’559	–	–	2’120	12’778
Thomas Zickler	3’402	–	1’212	5’074	5’112
Haining Auperin	5’153	–	1’364	1’142	4’217
Tim Schulten	–	–	1’212	5’074	5’112
Jan Lüder	–	–	–	–	5’112
Uwe Boltersdorf	–	–	476	952	4’217

1) Restricted share units assigned by Sulzer.
2) The average fair value of one performance share unit 2021 at grant date amounted to CHF 124.95.
3) The average fair value of one performance share unit 2022 at grant date amounted to CHF 84.69.
4) The average fair value of one performance share unit 2023 at grant date amounted to CHF 88.38.

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

1) Restricted share units assigned by Sulzer.
2) The average fair value of one performance share unit 2020 at grant date amounted to CHF 78.18.
3) The average fair value of one performance share unit 2021 at grant date amounted to CHF 124.95.
4) The average fair value of one performance share unit 2022 at grant date amounted to CHF 84.69.

Granted Sulzer shares to members of the Board of Directors

	2023		2022	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the Board of Directors	10’128	780’000	11’637	905’000

13 Subsequent events after the balance sheet date

At the time when these financial statements were authorized for issue, the Board of Directors was not aware of any events that would materially affect these financial statements.

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

in CHF	2023	2022
Net profit for the year	95’734’000	1’802’000
Unallocated profit carried forward from previous year	31’684’494	48’819’259
Total available profit	**127’418’494**	**50’621’259**
Appropriation from free reserves		100’000’000
Ordinary dividend	–126’792’360	–118’936’766
Balance carried forward	**626’134**	**31’684’494**
Dividend distribution per share CHF 0.01		
Gross dividend	3.75	3.50
Withholding tax (35%)	–1.31	–1.23
Net dividend	**2.44**	**2.27**

The Board of Directors proposes the payment of a dividend of CHF 3.75 per share to the Annual General Meeting on April 16, 2024. The company will not pay a dividend on treasury shares held by Sulzer Ltd or one of its subsidiaries.

KPMG

Statutory Auditor's Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sulzer Ltd (the Company), which comprise the "Balance sheet of Sulzer Ltd" as at December 31, 2023, the "Income statement of Sulzer Ltd" and the " Statement of changes in equity of Sulzer Ltd" for the year then ended, and "Notes to the financial statements of Sulzer Ltd", including a summary of significant accounting policies.

In our opinion, the financial statements for the year ended December 31, 2023, comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Miriam von Gunten
Licensed Audit Expert

Zurich, February 21, 2024

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Impressum

Herausgeber:

Sulzer AG, Winterthur, Schweiz

Layout/Grafik

- Office for spatial identity, Zürich, Schweiz
- Sergeant, Zürich, Schweiz

Publishingsystem:

- ns.wow von mms solutions AG, Zürich, Schweiz

Fotografie:

- Sulzer Management AG, Winterthur, Schweiz
- Geri Krischker, Zürich, Schweiz (Management Porträt, Suzanne Thoma)
- Fabian Hugo, Bern, Schweiz (Management Porträt, Thomas Zickler)
- Max Schwank, Basel-Landschaft, Switzerland (Executive Committee Foto)

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Sprachen

Teile des Sulzer-Geschäftsberichts 2022 wurden in die deutsche Sprache übersetzt. Rechtlich bindend ist immer nur die englische Originalversion.