MIDYEAR REPORT 2021

Contents

Letter to the shareholders

Dear Shareholders,

The world has gone through a painful and volatile 18 months since the coronavirus pandemic became an everyday reality. The early and decisive actions we took helped keep our people safe and our operations running. And we never stopped pursuing our strategic plan, investing in our key focus areas: renewable process technologies, water and aftermarket. We are now reaping the benefits of those decisions, as the world moves back towards normality and our markets continue to recover. We will build on our investments to drive growth and capitalize on the considerable opportunities ahead of us.

Order intake grew in all markets except energy

Thanks to continued sequential order intake growth, Sulzer's order intake remained stable (0.2% increase) in the first half of 2021, despite a high comparable base in 2020. This was supported by significant growth in our Chemtech and Applicator Systems divisions as well as strong momentum in Pumps Equipment's Water and Industry markets.

In Pumps Equipment, Water and Industry grew 25.2% and 5.8% respectively. This volume increase did not fully offset the anticipated decline of demand in the energy market, but it comes at a higher margin and we mitigated the impact on Energy by continuing to adapt our capacity in this business.

Chemtech's order intake increased 12.8% in the first half of the year versus the same period in 2020, driven by growth in all Chemtech's regions as markets continued to recover from the adverse effects of the pandemic. The Americas and Europe, the Middle East and Africa regions led the charge with

26.0% and 25.6% increases, while Chemtech's all important Asia-Pacific region, which represents over 50% of the division's business, grew 3.2%.

In our Rotating Equipment Services division, order intake in the second quarter grew a further 7.3% sequentially, following a 10.3% sequential rise from Q4 2020 to Q1 2021, confirming a continuing upward trend. Customer site restrictions continued to ease in the first half of the year. Orders in H1 2021 saw a 5.6% decrease, mainly due to record high order intake in H1 2020 and postponement of some projects by customers.

The Applicator Systems division saw a pronounced upswing in the first half of the year, with orders rising 69.4% against the same period of 2020 — which had been severely affected by closures of dental practices and retailers worldwide. Dental and Industry performed particularly well. Our 2020 acquisition of leading drug delivery device manufacturer Haselmeier is off to a strong start, continuing our progressive shift towards healthcare. All segments and regions contributed to the strong order increase, and our customers see sustained momentum in the second half of the year.

Our strategic priorities remain geared towards sustainable development — accelerating the shift towards clean technologies and expanding our portfolio in water, renewables and low-carbon applications. We are ready to take full advantage of recovering markets.

Greg Poux-Guillaume, CEO

Strong sales and operational profitability

In the first half of the year, Sulzer saw an increase in sales of 9.2% versus the same period of 2020. The increase was driven by the ongoing recovery that we are seeing across Sulzer's markets. Pumps Equipment saw particularly strong sales in Water (+23.7%) and Industry (+12.6%), while Chemtech's sales increased 7.7% on a healthy order backlog and rapid factory ramp-up following lockdowns. APS' sales increased 38.4% year-on-year as its markets returned to full strength.

Buoyed by higher sales and the implemented structural cost actions, our operational profitability has already reached our initial full year guidance of 10.0%, up from 7.5% in the same period of last year. We have therefore increased our guidance as we see our momentum carrying into H2 and accelerating.

Fostering growth with two focused companies

In May this year, we announced our intention to spin off our Applicator Systems division, creating a newly independent company called medmix. medmix represents the latest accomplishment in Sulzer's successful track record of incubating promising technologies and developing them into highly successful businesses. As part of the Sulzer family, medmix accelerated its transformation over the past five years to become a global market leader in high-precision delivery devices for the Healthcare, Consumer & Industrial segments. It is now ready to stand on its own and capture significant profitable growth opportunities, particularly in the healthcare market. The separation will leverage the full potential of our two distinct businesses, with the renewed focus set to accelerate growth for both Sulzer and medmix.

Subject to Sulzer shareholders' approval at an Extraordinary General Meeting, medmix will be listed on the Swiss Stock Exchange this autumn. The spin-off will take place through a 1:1 share split, granting you, our Sulzer shareholders, one medmix share in addition to each Sulzer share you hold. The shareholder review process and the necessary two-thirds majority vote quorum meet the highest transparency and corporate governance standards. At the time of the split, medmix will raise CHF 200–300 million of capital (excluding preferential subscription rights). The capital will be used to fund its ambitious growth initiatives, while providing new healthcare-focused investors with an early opportunity to invest in medmix.

Following the split, Sulzer will be a pure play flow control company, ready to further expand our leading positions in our core markets and to accelerate capital allocation towards our exciting water, biopolymers, recycling and aftermarket focus areas.

After yet again proving its resilience during the pandemic, Sulzer is well positioned to capitalize on profitable growth opportunities in its core businesses. Having successfully incubated medmix as part of the Sulzer family, we are excited to let medmix stand on its own — accelerating growth for both Sulzer and medmix.

Peter Löscher, Chairman of the Board of Directors

Sustainable Sulzer

Sustainable development is at the core of Sulzer's strategy. We are using our skills, expertise and resources to help accelerate the transformation to a more sustainable future based on low carbon, renewable and circular applications. This year we launched a comprehensive new ESG strategy — Sustainable Sulzer — building on our existing frameworks and solutions. The plan is composed of three pillars: minimizing Sulzer's carbon footprint, enabling a low-carbon society through our products and contributions to the circular economy, and engaging our employees and communities to build a safer, more inclusive, and more sustainable future. For our emissions, we have set an ambitious target: 30 by 30, neutral by 50. We will reduce our carbon emissions 30% by 2030 (compared with 2019) and become carbon-neutral by 2050.

Significant progress has already been made in each of these pillars. Analysis of Sulzer's carbon footprint shows that 65% came from electricity in 2020, so we have put a plan in place to switch to renewable sources for our sites across Europe and beyond — 95% of our UK sites have already switched to renewable electricity.

Enabling a circular economy

We continue to use our unique expertise to develop solutions for a more sustainable future based on low-carbon and circular applications. Sulzer's highly efficient solutions can help our customers achieve significant energy savings to sustainably transform their operations. In Vienna, Austria, our technology helped transform one of Europe's biggest wastewater plants from a major energy consumer into a sustainable net energy producer.

We also recently announced a partnership with Blue Planet, which will use Sulzer's carbon capture technology to reduce emissions from a range of industrial activities, for example the cement industry, which represents roughly 7% of global CO_2 emissions. Sulzer and Blue Planet's solution allows the captured CO_2 to be put to use in other applications – for example to make carbon-neutral or carbon negative-concrete.

Growing our Water business

In January 2021, we acquired Nordic Water, a leading supplier of water treatment technology. This acquisition has further strengthened our Water business — we now have one of the largest complete portfolios of water pumping and treatment solutions, and Water now represents the biggest single segment in the Pumps Equipment division (41%). As a critical equipment supplier throughout the entire water ecosystem, we are also helping to protect this most precious natural resource and fight the growing problem of water scarcity.

The key to our success — our dedicated employees

This year, we conducted the third edition of our Voice of Sulzer employee survey, a means for our employees to share their views and ideas with us. With an extremely high 88% participation rate, we saw significant improvements versus the last survey and versus the external benchmarks across all survey categories. Among the many highlights, 94% of our employees said that they “go above and beyond what is required of them to help Sulzer succeed” and 90% feel they “have the necessary authority to do their job well.”

Compared to our peers in the manufacturing industry, Sulzer outperforms the benchmark in each of the ten survey categories — a true testament to the Sulzer team spirit.

Outlook for 2021

The positive trend in order intake continued in Q2, with all divisions again seeing sequential growth. While Q3 is likely to be seasonally lower, we expect it to show a strong improvement compared to the previous year, driven by continued growth in Applicator Systems and Chemtech, along with re-accelerating activities in Rotating Equipment Services and sustained growth in Water and Industry in Pumps Equipment.

We confirm the guidance that was increased on our Capital Markets Day in June. For the full year 2021, we expect orders to increase 4–6%[1], sales to be up 8–10%[1], and operational profitability in the range of 10.0% to 10.5%.

Without medmix, Sulzer expects 2021 orders to be up 2–3%[1] and sales up 6–8%[1]. Operational profitability is expected to be around 9.0%, above prepandemic levels.

Though much has changed in the past year, Sulzer remains a stable and engaged pillar of its communities. With our dedicated employees, we will continue to develop solutions to the world’s most pressing problems, sustainably transforming industries and improving people’s lives. Our committed employees inspire us to achieve these goals.

We will finish by thanking our customers, suppliers, partners and you, our shareholders. Your support has helped us to successfully navigate a global health crisis. As the world recovers from the pandemic, we are ready to seize new growth opportunities and will continue making our positive contribution to society.

Sincerely,

Peter Löscher
Chairman of the Board

Greg Poux-Guillaume
CEO

[1] Adjusted for FX and including acquisitions already closed.

Regaining momentum

Despite a high comparable base of the first half 2020, orders grew in all markets except Energy, resulting in stable order intake of +0.2% on a currency-adjusted basis. Sales saw a significant increase of 9.2% versus the same period of 2020, driven by strong demand in the Chemtech and Applicator Systems divisions, as well as in Pumps Equipment's Water and Industry markets. Buoyed by higher sales and successfully implemented structural cost actions, operational profitability increased to 10.0%, up from 7.5% in the same period of last year.

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

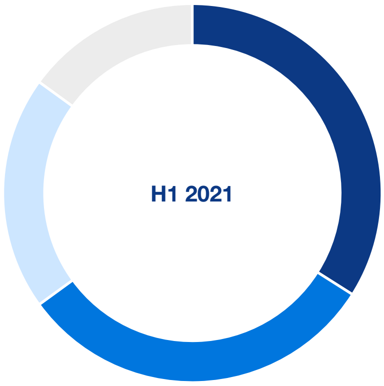
Key figures (January 1 – June 30)

millions of CHF	2021	2020	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1'820.4	1'840.5	–1.1	0.2	–3.3
Order intake gross margin	35.3%	33.3%			
Order backlog as of June 30/ December 31	1'948.9	1'758.9	10.8		
Sales	1'723.3	1'598.5	7.8	9.2	6.1
Operating income (EBIT)	128.7	36.0	257.5		
Operational profit	171.6	120.2	42.8	43.5	38.0
Operational profitability	10.0%	7.5%			
Core net income	119.3	81.5	46.4		
Net income attributable to shareholders of Sulzer Ltd	85.7	15.4	454.6		
Basic earnings per share	2.53	0.45	457.8		
Free cash flow (FCF)	117.1	36.8	218.3		
Net debt as of June 30/ December 31	556.8	414.5	34.3		
Employees (number of full-time equivalents) as of June 30/ December 31	15'574	15'054	3.5		

1) Adjusted for currency effects.

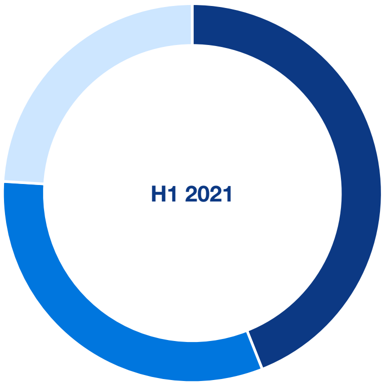
2) Adjusted for acquisition and currency effects.

Order intake by division



- **34%** Pumps Equipment
- **31%** Rotating Equipment Services
- **20%** Chemtech
- **15%** Applicator Systems

Order intake by region



- **44%** Europe, the Middle East and Africa
- **32%** Americas
- **24%** Asia-Pacific

Business review

Strong sales, record profitability and cash flow

Compared to the high base in the first half of 2020, order intake remained stable (0.2% increase), while it decreased 3.3% organically due to the anticipated drop in Energy. Sales increased by a significant 9.2% (6.1% organically) which contributed to a record high operational profitability of 10.0%. Besides higher volumes, additional CHF 23 million of savings from structural actions also helped to achieve this result. Free cash flow reached CHF 117.1 million, a jump of CHF 80.3 million compared with last year.

Note: If not otherwise indicated, changes from the previous year are based on currency-adjusted figures. Sulzer uses some alternative performance measures, these are defined in the Sulzer Annual Report 2020.

Stable order intake and positive mix effect

Thanks to continued sequential order intake growth, Sulzer's order intake remained stable (0.2% increase) in the first half of 2021, totaling CHF 1'820.4 million – despite a high comparable base in 2020. Acquisitions contributed CHF 67.4 million to order intake. Currency translation effects had a negative impact on order intake of CHF 24.0 million. Order intake gross margin increased to 35.3%, well up from 33.3% in H1 2020 on the back of a better mix.

In the first half of 2021, Sulzer achieved robust sequential growth in order intake. Thanks to swift structural actions to mitigate the drop in Energy, as well as solid execution, we have surpassed pre-pandemic levels of profitability and cash flow generation.

Jill Lee, Chief Financial Officer

Order intake growth in Water and Industry within Pumps Equipment could only partially offset the anticipated drop in Energy, leading to a decrease of 15.3% (–20.2% organically) in the division. Water orders increased by 25.2%, including 7.0% organic growth and CHF 39.4 million from the Nordic Water acquisition. Industry also saw a strong first half-year, with orders up 5.8%. Due to the anticipated drop in demand and continued order selectivity, the Energy segment declined by 49.5%. Compared to the record high first half of 2020, the Rotating Equipment Services division recorded an order intake decline of 5.6%. In Q2 2021, the division saw the highest quarterly order intake since Q1 2020, emphasizing the positive sequential momentum in all regions as customers begin to ease site access restrictions. Chemtech's order intake increased by 12.8%, driven by increases in the US and China, as well as the growing Renewables segment. In the Applicator Systems division, orders reached a record level of CHF 268.9 million on the back of a strong market rebound. The Haselmeier acquisition contributed CHF 25.5 million. Compared to the prior year, orders increased by 69.4% or 53.3% organically.

We enter the second half of 2021 with a high order backlog of CHF 1'948.9 million (December 31, 2020: CHF 1'758.9 million). Positive currency translation effects totaled CHF 31.1 million.

Orders

millions of CHF	2021	2020
Order intake	1’820.4	1’840.5
Order intake gross margin	35.3%	33.3%
Order backlog as of June 30/ December 31	1’948.9	1’758.9

Sales rebound in all divisions

Sales increased by 9.2% compared to the first half of 2020, reaching CHF 1’723.3 million. Organic growth was 6.1% with acquisitions adding CHF 52.1 million, while negative currency translation effects amounted to CHF 22.3 million.

The Pumps Equipment division increased its sales by 8.8% (4.4% organically). Taking into account the successful Nordic Water acquisition, sales in Water increased by 23.7% and 9.3% organically. Along with 12.6% higher sales in Industry, the sales decline in Energy (–4.7%) was more than offset. Sales in Rotating Equipment Services grew in all regions with the continued easing of customer site restrictions, reaching an increase of 1.3% year-on-year. In Chemtech, sales were up by 7.7% thanks to strong execution in China and a reduced impact from lockdowns compared to last year. Sales in Applicator Systems rebounded strongly with 38.4% growth. The Haselmeier acquisition contributed CHF 21.3 million. Healthcare now represents 38.5% of the division’s sales.

Higher gross profit margin on volume and mix

Gross profit margin increased to 31.2% in the first half of 2021 (2020: 29.8%), thanks to higher sales volume, a larger share of high-margin business and positive impact from implemented cost actions, resulting in an increased gross profit of CHF 538.5 million (first half of 2020: CHF 476.0 million).

Operational profitability at 10%

Operational profit amounted to CHF 171.6 million compared with CHF 120.2 million in the first half of 2020, an increase of 43.5%. The higher gross profit from increased sales and a better mix was further supported by CHF 23 million savings from cost reduction measures in the Energy-related business and continued spending discipline.

Operational profitability reached a record H1 high of 10.0%, compared with 7.5% in H1 2020.

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

millions of CHF	2021	2020
Operating income (EBIT)	**128.7**	**36.0**
Amortization	35.7	31.6
Impairments on tangible and intangible assets	0.9	4.2
Restructuring expenses	2.0	42.0
Non-operational items [1]	4.3	6.4
Operational profit	**171.6**	**120.2**

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

ROS and operational profitability (January 1 – June 30)

millions of CHF	2021	2020
Operating income (EBIT)	128.7	36.0
Sales	1’723.3	1’598.5
Return on sales (ROS)	**7.5%**	**2.3%**
Operational profit	171.6	120.2
Sales	1’723.3	1’598.5
Operational profitability	**10.0%**	**7.5%**

Return on sales of 7.5%

One-off expenses in the first half of 2021 amounted to CHF 7.2 million, compared to CHF 52.6 million in H1 2020. The expenses relate to the structural actions to adapt Sulzer’s Energy-related activities, initiated in the first half of 2020.

EBIT amounted to CHF 128.7 million, compared with CHF 36.0 million in the first half of 2020. Return on sales (ROS) was 7.5% compared with 2.3% in the same period of 2020.

Financial expenses

Total financial expenses amounted to CHF 13.4 million, compared with CHF 12.3 million in the first half of 2020. The majority of the increase is due to higher interest on borrowings.

Lower effective tax rate

Income tax expenses increased to CHF 27.9 million (2020: CHF 6.7 million) mainly due to higher pre-tax income. The effective tax rate for the first half of 2021 decreased to 24.4% compared with 28.4% in the first half of 2020, due to lower restructuring expenses with no corresponding tax effects and a more favorable allocation of profitability among the group’s entities.

Higher core net income

Net income increased to CHF 86.3 million compared with CHF 16.8 million in the previous year. Core net income, which excludes restructuring expenses, amortization, impairments, non-operational items and the tax-adjusted effects of non-operational items, totaled CHF 119.3 million, compared with CHF 81.5 million in the first half of 2020. Basic earnings per share increased from CHF 0.45 in the first half of 2020 to CHF 2.53 in the first half of 2021, primarily due to higher net income.

Bridge from net income to core net income

millions of CHF	2021	2020
Net income	**86.3**	**16.8**
Amortization	35.7	31.6
Impairments on tangible and intangible assets	0.9	4.2
Restructuring expenses	2.0	42.0
Non-operational items[1)]	4.3	6.4
Tax impact on above items	–9.9	–19.4
Core net income	**119.3**	**81.5**

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

Key balance sheet positions

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

Total assets as of June 30, 2021, amounted to CHF 5’603.9 million, an increase of CHF 239.1 million from December 31, 2020. Non-current assets increased by CHF 188.7 million to CHF 2’390.7 million, mainly because of higher goodwill (CHF 76.5 million, due to CHF 53.8 million from new acquisitions and FX impact), higher other intangible assets (CHF 60.1 million) and higher property, plant and equipment (CHF 20.5 million). Current assets increased by CHF 50.5 million. Cash and cash equivalents increased by CHF 169.3 million. Current financial assets, comprised of fixed-term deposits with maturity dates between 3 and 12 months, decreased by CHF 302.2 million. The higher sales volume led to increases in inventories (CHF 67.1 million), contract assets (CHF 54.4 million) and supplier advances (CHF 16.5 million). Trade accounts receivables decreased (CHF 24.1 million), whereas other current receivables and prepaid expenses increased by CHF 74.8 million, mainly due to higher pension overfunding in Switzerland.

Total liabilities increased by CHF 187.1 million to CHF 4’134.7 million as of June 30, 2021. The main reasons were increases in undistributed dividends (CHF 43.5 million), other current liabilities (CHF 58.1 million), and contract liabilities (CHF 45.8 million) due to higher project-business sales and deferred income tax liabilities (CHF 38.8 million).

Equity increased by CHF 52.1 million to CHF 1’469.3 million. This was mainly driven by net income (CHF 86.3 million), currency translation effects (CHF 75.1 million) and the remeasurement of defined benefit obligations (CHF 55.6 million). These were offset by dividend distribution (CHF 137.5 million, of which CHF 2.1 million for non-controlling interests), and the acquisition of non-controlling interests (CHF 17.3 million).

Record free cash flow generation

Free cash flow amounted to CHF 117.1 million in the first half of 2021, a significant improvement compared to CHF 36.8 million reported in the same period last year, driven by higher net income and improved working capital efficiency.

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

millions of CHF	2021	2020
Cash flow from operating activities	**155.1**	**91.8**
Purchase of intangible assets	–4.0	–5.4
Sale of intangible assets	0.0	0.0
Purchase of property, plant and equipment	–38.9	–54.3
Sale of property, plant and equipment	4.9	4.7
Free cash flow (FCF)	**117.1**	**36.8**

Cash flow from investing activities totaled CHF 130.5 million, compared with CHF –17.3 million in the first half of 2020. In the first half of 2021, cash flow from investing activities was influenced by CHF 38.9 million for purchases of property, plant and equipment, CHF 130.8 million related to investment in subsidiaries and associates, mostly related to the acquisition of Nordic Water, and CHF 302.5 million from net change in financial assets.

Cash flow from financing activities totaled CHF –150.0 million compared with CHF –120.6 million in the first half of 2020, mainly due to the acquisition of non-controlling interests of CHF 17.3 million. In 2021, dividend payments amounted to CHF 91.9 million, compared with CHF 92.6 million in 2020.

The net change in cash since January 1, 2021, amounted to CHF 170.5 million, including exchange gains on cash and cash equivalents of CHF 34.9 million.

Outlook for 2021

The positive trend in order intake continued in Q2, with all divisions again seeing sequential growth. While Q3 is likely to be seasonally lower, we expect it to show a strong improvement compared to the previous year, driven by continued growth in Applicator Systems and Chemtech, along with re-accelerating activities in Rotating Equipment Services and sustained growth in Water and Industry in Pumps Equipment.

Sulzer confirms its guidance that was updated on its Capital Markets Day in mid-June: For the full year 2021, Sulzer expects orders to increase by 4–6%[1], sales to be up 8–10%[1] and an operational profitability in the range of 10.0–10.5%.

Without medmix, Sulzer expects 2021 orders to be up 2–3%[1] and sales up 6–8%[1]. Operational profitability is expected to be around 9%, above prepandemic levels.

[1] Adjusted for FX and including acquisitions already closed.

Strong Water and Industry growth, solid execution with significant uplift in operational profitability

In the first half of 2021, orders in Water and Industry grew 25.2% and 5.8% respectively. With 41%, Water is now the biggest segment in the Pumps Equipment (PE) division. Sales increased significantly by 8.8% compared to the same period in 2020. Faster realization of savings from structural cost actions and a better mix led to an increase in operational profitability of 5.0%, up from 3.1%. PE is on track with the integration of Nordic Water, announced in January 2021, which expands its leading position in the water market, one of Sulzer's strategic growth priorities.

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

Capturing growth opportunities in Water and Industry

Global megatrends like growing populations, urbanization and water scarcity along with the push towards sustainability are unlocking significant growth potential in the Water and Industry businesses. With a complete product portfolio and as a critical equipment supplier throughout the entire water ecosystem and for process-critical industrial applications, Sulzer is uniquely placed to capitalize on the expected growth in the global water and industry markets.

In the beginning of February 2021, Sulzer closed its acquisition of Nordic Water, a leading supplier of water treatment technologies. With this complementary addition to PE's portfolio, Water has become the largest single segment in the PE division, amounting to 41% of PE. The integration of Nordic Water is progressing well. This acquisition will further solidify Sulzer's position with one of the broadest range of water pumping and treatment solutions.

Green energy from wastewater treatment

The growing push towards sustainability and focus on protecting natural resources reinforce the importance of Sulzer's solutions. In Wastewater, for example, where Sulzer occupies a leading global position, we helped transform one of Europe's biggest wastewater plants in Vienna from a major energy consumer to a sustainable net energy producer. Using a range of our highly efficient turbocompressors and mixers, the plant is helping reduce the city's annual carbon emissions by 40'000 tonnes.

We achieved increased orders and sales in Water and Industry, our strategic growth segments. Supported by the early and successful implementation of our Energy Resilience program, we were able to significantly boost our operational profitability. Going forward, we are perfectly positioned to capture growth opportunities.

Frédéric Lalanne, Division President Pumps Equipment

Key figures Pumps Equipment (January 1 – June 30)

millions of CHF	2021	2020	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	626.8	744.0	–15.8	–15.3	–20.2
Order intake gross margin	30.8%	26.7%			
Order backlog as of June 30/ December 31	869.8	845.0	2.9		
Sales	663.9	616.6	7.7	8.8	4.4
Operating income (EBIT)	14.8	–27.1	n/a		
Operational profit	33.2	19.2	72.9	70.5	56.8
Operational profitability	5.0%	3.1%			
Employees (number of full-time equivalents) as of June 30/ December 31	5’408	5’362	0.9		

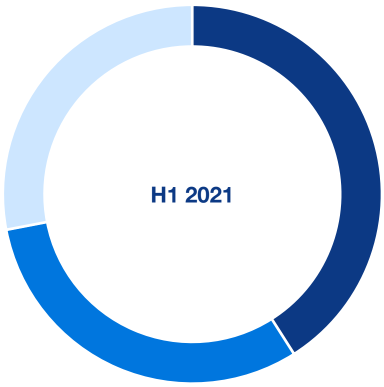
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Water and Industry growth could not entirely offset the anticipated decline in Energy

In the first six months of 2021, orders in Water and Industry continued to grow by 25.2% and 5.8% respectively. However, these increases were not able to offset the anticipated decline in Energy (–49.5%). The decline can be attributed to a strong first half of 2020 and continued order selectivity.

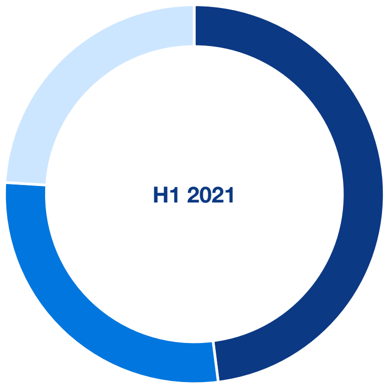
We expect a rebound in the energy market in the second half of the year, along with continued momentum in Water and Industry.

Order intake by segment



41% Water
31% Industry
28% Energy

Order intake by region



48% Europe, the Middle East and Africa
28% Americas
24% Asia-Pacific

Strong execution and significant operational profitability uplift

Sales saw an increase of 8.8% versus the previous year, mainly driven by Water and Industry (+23.7% and +12.6% respectively). These increases were able to more than offset the decreased sales in Energy due to customer delays of large projects in the Middle East.

PE achieved a strong increase in operational profitability to 5.0%, up from 3.1%, supported by the significant growth in Water and Industry, as well as implemented cost-out measures from Sulzer's Energy Resilience program.

Resilient performance and accelerating digitalization

Orders continued their sequential growth, while sales increased 1.3% year-on-year. Operational profitability increased year-on-year from 12.1% to 13.4%, mainly driven by strong execution and cost discipline. Rotating Equipment Services (RES) is a key enabler in the transition to sustainable practices through digitalization, helping customers minimize their environmental footprint.

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

Driving growth and sustainability

As part of Sulzer's overall sustainability strategy, the RES division is helping lead the energy transition to more sustainable products and practices. There is a growing demand for retrofits and upgrades from our customers who are looking to maximize the efficiency and sustainability. Retrofits can significantly lower energy consumption, operating costs and waste, while improving the performance of the whole system — thanks to the world-class efficiency of Sulzer's products. Retrofits therefore represent a key strategic priority for Sulzer, as well as increasing our market share in servicing renewable energy installations such as wind power, biomass and waste-to-energy plants.

We are also reinventing the way we do business with advanced data analytics and additive manufacturing. Our analytics through Sulzer's BLUE BOX artificial intelligence solution allow us to identify pumps that are underperforming for retrofit and optimization — before the problems arise. Thanks to increasing additive manufacturing and our global production and service center network giving us unbeatable proximity to our customers, we are becoming faster and more flexible regarding repairs, spare-parts and retrofits — helping us to drive growth.

Our highly efficient technologies, combined with customer proximity through our global network and extensive service offering, can help our customers significantly minimize their environmental footprint. We are therefore well-positioned to support our industries to transition towards a more sustainable future.

Daniel Bischofberger, Division President Rotating Equipment Services

Key figures Rotating Equipment Services (January 1 – June 30)

millions of CHF	2021	2020	Change in +/–%	+/–% adjusted 1)	+/–% organic 2)
Order intake	570.8	617.0	–7.5	–5.6	–6.0
Order intake gross margin	37.3%	39.0%			
Order backlog as of June 30/ December 31	496.1	435.0	14.0		
Sales	525.5	528.1	–0.5	1.3	0.9
Operating income (EBIT)	66.3	51.2	29.4		
Operational profit	70.3	64.0	9.8	11.3	10.7
Operational profitability	13.4%	12.1%			
Employees (number of full-time equivalents) as of June 30/ December 31	4'510	4'449	1.4		

1) Adjusted for currency effects.

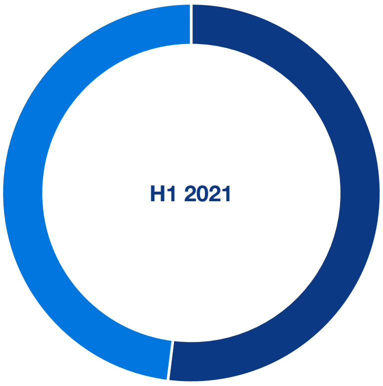
2) Adjusted for acquisition and currency effects.

Growing sequential order intake

Order intake in the second quarter grew a further 7.3% sequentially, following a 10.3% sequential rise from Q4 2020 to Q1 2021, confirming a continuing positive upward trend. Customer site restrictions continued to ease in the first half of the year. Orders in H1 2021 saw a 5.6% decrease, mainly due to record high order intake in H1 2020 and postponement of some projects by customers.

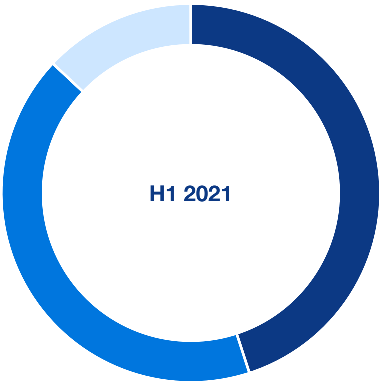
The Americas (AME) region is now seeing the strongest rebound in maintenance activities. The other regions are experiencing a similar trend, and all regions grew sequentially in the first and second quarters of 2021.

Order intake by segment



52% Pumps Services
48% Other Equipment

Order intake by region



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

Higher sales and operational profitability

Sales in the RES division increased 1.3%, thanks to a healthy backlog entering the year. Sales increased in all regions — Americas, Europe, the Middle-East and Africa, and Asia-Pacific.

Compared with the first half of 2020, operational profitability increased to 13.4%, up from 12.1%, mainly thanks to strong execution and cost discipline.

Strong growth and profitability, increasing Renewables

In the first half of 2021, orders, sales and profitability increased in the Chemtech (CT) division compared to the same period a year ago. The division is well–placed to expand its leading position in Chemicals and to foster its Renewables business, taking advantage of the attractive growth potential in these markets.

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

Two thirds of Chemtech's business in Chemicals and Renewables

Today, around two-thirds of Chemtech's business comes from the fast-growing chemicals and renewables markets. Having demonstrated its resilience during the pandemic, Chemtech is well-positioned to take advantage of opportunities in these markets and offers solutions to some of society's pressing problems. The renewables market is continuously gaining momentum as the world accelerates its shift towards sustainability.

Accelerating growth into Renewables and bio-based applications

Our equipment and proprietary process technologies enable the efficient production of clean and renewable fuels, chemicals, biopolymers, food, fragrances and pharmaceuticals, while helping our customers to save energy, reduce emissions, and minimize waste.

For example, Chemtech is the market leader in the production of polylactic acid (PLA), the most commonly used degradable bioplastic in the world. Sulzer expects the market for PLA to more than double in the next five years as the world increasingly turns to renewable bioplastics. Chemtech's technologies also enable circularity and carbon reduction. In the first half of 2021, Chemtech announced its partnership with Blue Planet to reduce CO_2 from a variety of industrial activities, including power, steel, cement, refining and other CO_2 emitting industries. Chemtech is developing a highly specialized carbon capture unit that will form a key part of Blue Planet's solutions. The technology can be used to sustainably transform these industries by sequestering CO_2 emissions in a solid form to be used in other applications — for example to create carbon-neutral or carbon-negative concrete.

Our strategic focus on Chemicals and Renewables is presenting great opportunities for Sulzer. In the first half of the year, orders, sales and profitability increased, thanks to strong execution and a well-managed recovery following lockdowns.

Torsten Wintergerste, Division President Chemtech

Key figures Chemtech (January 1 – June 30)

millions of CHF	2021	2020	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	353.9	319.4	10.8	12.8	12.8
Order intake gross margin	30.3%	30.5%			
Order backlog as of June 30/ December 31	458.2	396.9	15.4		
Sales	305.6	287.8	6.2	7.7	7.7
Operating income (EBIT)	21.1	10.6	99.1		
Operational profit	27.7	23.0	20.3	20.2	20.2
Operational profitability	9.1%	8.0%			
Employees (number of full-time equivalents) as of June 30/ December 31	3'536	3'221	9.8		

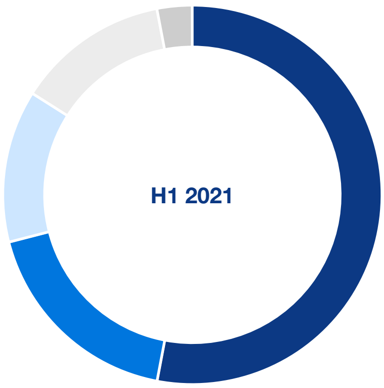
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Order intake growing across all regions

Chemtech's order intake increased by 12.8% in the first half of the year. This increase was supported by growth in all regions as markets continued to recover from the adverse effects of the pandemic.

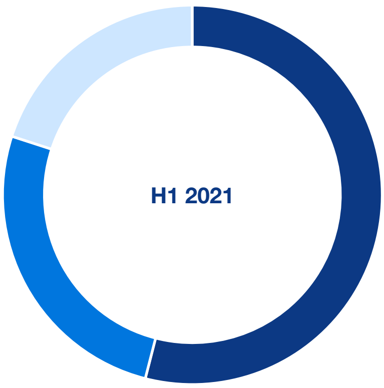
The Americas region grew 26.0%, while orders in Europe, the Middle East and Africa increased 25.6%. Asia-Pacific achieved further growth of 3.2% in the first half of the year, following a significant increase of 14.7% in 2020.

Order intake by segment



53% Chemicals
18% Gas/Refining
13% Service
13% Renewables
3% Water

Order intake by region



54% Asia-Pacific
26% Europe, the Middle East and Africa
20% Americas

Higher sales and operational profitability

In the first six months of 2021, sales increased by 7.7%, supported by a healthy order backlog at the start of the year and rapid factory ramp-up in Chemtech’s facilities following lockdowns.

Higher sales and the successful implementation of structural cost savings led to a significant increase in operational profitability from 8.0% to 9.1%.

Volume and profitability uplift in H1 2021 — spin-off and listing to accelerate growth

As announced in May 2021, Sulzer intends to spin off its Applicator Systems (APS) division, which will be named medmix and listed on the stock exchange later this year. The spin-off will enable Sulzer and medmix to leverage the full potential of both businesses. Applicator Systems' order intake, sales and operational profitability fully recovered in the first half of 2021 after the pandemic-induced market pause during lockdowns in the previous year.

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

Driving growth through focus

In May 2021, Sulzer announced its intention to spin off its Applicator Systems division — to be renamed medmix. Over the last five years, medmix has become a global market leader in high-precision delivery devices for the healthcare and consumer & industrial segments. It is well-positioned to capture profitable growth opportunities in attractive niches driven by megatrends. medmix occupies leading positions in several markets such as dental, drug delivery, surgery, industry and beauty, which it will look to strengthen going forward.

medmix is ready to capitalize on the recovery of its markets as an independent company. The company intends to accelerate growth, particularly in Healthcare, which accounted for 37.2% of medmix's orders in the first half of this year. Its Healthcare position was strengthened by the 2020 acquisition of Haselmeier, a leading drug delivery device manufacturer. medmix's operational transformation of its Beauty business is complete and its expanded Bechhofen factory is up and running and ready to take advantage of recovering demand in the beauty market.

As a focused independent company, we will be able to capitalize on significant opportunities in our markets, particularly in the fast-growing healthcare sector. My team and I are extremely excited to lead medmix to new heights as a global market leader in high-precision delivery devices.

Girts Cimermans, Division President Applicator Systems

Key figures Applicator Systems (January 1 – June 30)

millions of CHF	2021	2020	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	268.9	160.2	67.9	69.4	53.3
Order intake gross margin	48.2%	47.4%			
Order backlog as of June 30/ December 31	124.8	82.0	52.2		
Sales	228.3	166.1	37.5	38.4	25.8
Operating income (EBIT)	31.3	9.0	248.7		
Operational profit	44.0	19.5	125.7	127.5	109.1
Operational profitability	19.3%	11.8%			
Employees (number of full-time equivalents) as of June 30/ December 31	1’945	1’857	4.7		

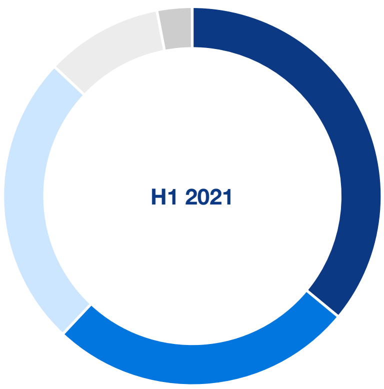
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Strong growth in all segments

In the first half of 2021, orders grew 69.4% against the same period of last year. This is thanks to the accelerating recovery seen in all segments and quick actions to mitigate the impact of the pandemic throughout the course of last year. Both Healthcare and Consumer & Industry contributed to this strong order increase, supported by customer restocking, pent-up demand, market-share gain and underlying market growth.

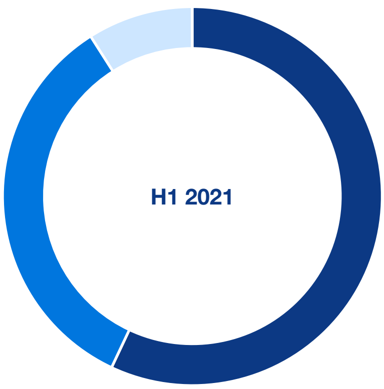
America-based customers led the recovery in the first half of the year, with an increase of 95.1% compared with the same period last year. The Europe, the Middle East and Africa region as well as Asia-Pacific also performed well, growing 56.0% and 71.1% respectively.

Order intake by segment



36% Industry
26% Beauty
25% Dental
10% Drug delivery
3% Surgery

Order intake by region



57% Europe, the Middle East and Africa
34% Americas
9% Asia-Pacific

Significantly increased sales and operational profitability

APS’ sales rebounded strongly (38.4%) in the first half of 2021, led by the recovery of demand in both Healthcare and Consumer & Industry. Higher volumes led to an increase in operational profit of 128%, supported by robust performance in the Dental and Industry markets. Operational profitability increased to 19.3% from 11.8%, driven by volume recovery and favorable mix effects.

Financial reporting

Consolidated income statement

January 1 – June 30

millions of CHF	Notes	2021	2020
Sales	3	1’723.3	1’598.5
Cost of goods sold		–1’184.9	–1’122.5
Gross profit		**538.5**	**476.0**
Selling and distribution expenses		–175.6	–168.5
General and administrative expenses		–194.2	–189.5
Research and development expenses		–42.7	–41.7
Other operating income and expenses, net	6	2.8	–40.3
Operating income (EBIT)		**128.7**	**36.0**
Interest and securities income	7	1.7	2.5
Interest expenses	7	–13.1	–11.7
Other financial income and expenses, net	7	–2.0	–3.0
Share of profit and loss of associates		–1.1	–0.3
Income before income tax expenses		**114.2**	**23.5**
Income tax expenses	8	–27.9	–6.7
Net income		**86.3**	**16.8**
attributable to shareholders of Sulzer Ltd		85.7	15.4
attributable to non-controlling interests		0.7	1.4
Earnings per share (in CHF)			
Basic earnings per share		2.53	0.45
Diluted earnings per share		2.51	0.45

Consolidated statement of comprehensive income

January 1 – June 30

millions of CHF	Notes	2021	2020
Net income		**86.3**	**16.8**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		–4.1	–4.0
Currency translation differences		75.1	–91.1
Total of items that may be reclassified subsequently to the income statement		**71.0**	**–95.1**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax		55.6	–21.0
Total of items that will not be reclassified to the income statement		**55.6**	**–21.0**
Total other comprehensive income		**126.6**	**–116.1**
Total comprehensive income for the period		**212.9**	**–99.3**
attributable to shareholders of Sulzer Ltd		211.9	–99.9
attributable to non-controlling interests		1.1	0.6

Consolidated balance sheet

millions of CHF	Notes	June 30, 2021	December 31, 2020[1]	June 30, 2020
Non-current assets				
Goodwill		1’020.3	943.8	899.1
Other intangible assets		461.1	401.0	393.4
Property, plant and equipment		565.8	545.3	537.4
Lease assets		131.5	121.2	102.5
Associates		26.8	21.2	20.4
Other non-current financial assets		14.7	10.6	10.4
Non-current receivables		4.6	4.3	5.0
Deferred income tax assets		166.0	154.5	134.5
Total non-current assets		**2’390.7**	**2’202.0**	**2’102.7**
Current assets				
Inventories		582.2	515.1	547.5
Current income tax receivables		28.1	33.4	26.2
Advance payments to suppliers		76.4	59.9	67.8
Contract assets		379.3	324.9	350.6
Trade accounts receivable		575.0	599.1	558.8
Other current receivables and prepaid expenses		277.0	202.2	144.9
Current financial assets		2.9	305.1	4.8
Cash and cash equivalents		1’292.5	1’123.2	957.3
Total current assets		**3’213.3**	**3’162.8**	**2’657.9**
Total assets		**5’603.9**	**5’364.8**	**4’760.6**
Equity				
Share capital	9	0.3	0.3	0.3
Reserves		1’462.5	1’404.0	1’340.8
Equity attributable to shareholders of Sulzer Ltd		**1’462.8**	**1’404.3**	**1’341.1**
Non-controlling interests		6.4	12.9	11.3
Total equity		**1’469.3**	**1’417.2**	**1’352.4**
Non-current liabilities				
Non-current borrowings	10	1’489.6	1’491.3	1’199.3
Non-current lease liabilities		97.8	90.2	73.5
Deferred income tax liabilities		127.3	88.5	60.8
Non-current income tax liabilities		4.6	4.8	2.3
Defined benefit obligations		233.8	227.4	187.8
Non-current provisions	11	66.4	65.8	68.1
Other non-current liabilities		7.0	8.0	4.1
Total non-current liabilities		**2’026.6**	**1’976.0**	**1’595.9**
Current liabilities				
Current borrowings	10	231.8	231.8	134.0
Current lease liabilities		33.0	29.5	29.9
Current income tax liabilities		11.1	38.7	35.7
Current provisions	11	184.1	183.5	167.9
Contract liabilities		346.4	300.5	312.4
Trade accounts payable		478.2	465.8	423.3
Other current and accrued liabilities	12	823.5	721.9	709.2
Total current liabilities		**2’108.0**	**1’971.7**	**1’812.3**
Total liabilities		**4’134.7**	**3’947.6**	**3’408.2**
Total equity and liabilities		**5’603.9**	**5’364.8**	**4’760.6**

1) The balance sheet as of December 31, 2020, has been restated following the finalization of the valuation of the contingent consideration related to acquisitions in 2020. A reconciliation to the previously published balance sheet is provided in note 4.

Consolidated statement of changes in equity

January 1 – June 30

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	**Total**	Non-controlling interests	**Total equity**
Equity as of January 1, 2020		**0.3**	**2'125.4**	**–25.6**	**–4.3**	**–515.1**	**1'580.7**	**13.1**	**1'593.9**
Comprehensive income for the period:									
Net income			15.4				15.4	1.4	16.8
– Cash flow hedges, net of tax		–	–	–	–4.0	–	–4.0	–	–4.0
– Remeasurements of defined benefit obligations, net of tax		–	–21.0	–	–	–	–21.0	–	–21.0
– Currency translation differences		–	–	–	–	–90.3	–90.3	–0.8	–91.1
Other comprehensive income		–	–21.0	–	–4.0	–90.3	–115.3	–0.8	–116.1
Total comprehensive income for the period		**–**	**–5.6**	**–**	**–4.0**	**–90.3**	**–99.9**	**0.6**	**–99.3**
Transactions with owners of the company:									
Allocation of treasury shares to share plan participants		–	–9.9	9.9	–	–	–		–
Purchase of treasury shares		–	–	–10.3	–	–	–10.3		–10.3
Share-based payments		–	6.7	–	–	–	6.7		6.7
Dividends	9	–	–136.1	–	–	–	–136.1	–2.4	–138.5
Equity as of June 30, 2020		**0.3**	**1'980.5**	**–26.0**	**–8.3**	**–605.5**	**1'341.1**	**11.3**	**1'352.4**
Equity as of January 1, 2021		**0.3**	**2'083.8**	**–38.3**	**5.9**	**–647.4**	**1'404.3**	**12.9**	**1'417.2**
Comprehensive income for the period:									
Net income			85.7				85.7	0.7	86.3
– Cash flow hedges, net of tax		–	–	–	–4.1	–	–4.1	–	–4.1
– Remeasurements of defined benefit obligations, net of tax		–	55.6	–	–	–	55.6	–	55.6
– Currency translation differences		–	–	–	–	74.7	74.7	0.4	75.1
Other comprehensive income		–	55.6	–	–4.1	74.7	126.2	0.4	126.6
Total comprehensive income for the period		**–**	**141.3**	**–**	**–4.1**	**74.7**	**211.9**	**1.1**	**212.9**
Transactions with owners of the company:									
Acquisition of NCI without a change of control		–	–10.6	–	–	–1.4	–11.9	–5.4	–17.3
Allocation of treasury shares to share plan participants		–	–8.5	8.5	–	–	–		–
Transaction costs, net of tax			–0.7	–	–	–	–0.7	–	–0.7
Purchase of treasury shares		–	–	–14.5	–	–	–14.5		–14.5
Share-based payments		–	9.2	–	–	–	9.2		9.2
Dividends	9	–	–135.4	–	–	–	–135.4	–2.1	–137.5
Equity as of June 30, 2021		**0.3**	**2'079.1**	**–44.3**	**1.7**	**–574.1**	**1'462.8**	**6.4**	**1'469.3**

Consolidated statement of cash flows

January 1 – June 30

millions of CHF	Notes	2021	2020
Cash and cash equivalents as of January 1		**1’123.2**	**1’035.5**
Net income		86.3	16.8
Interest and securities income	7	–1.7	–2.5
Interest expenses	7	13.1	11.7
Income tax expenses	8	27.9	6.7
Depreciation, amortization and impairments		90.8	87.3
Income from disposals of tangible and intangible assets	6	–1.0	–0.3
Changes in inventories		–38.6	0.4
Changes in advance payments to suppliers		–16.7	8.3
Changes in contract assets		–36.2	–11.6
Changes in trade accounts receivable		52.8	53.6
Changes in contract liabilities		29.8	–20.8
Changes in trade accounts payable		–8.9	–77.0
Change in provision for employee benefit plans		–5.8	–28.8
Changes in provisions		–4.0	35.9
Changes in other net current assets		20.3	13.8
Other non-cash items		–6.3	26.6
Interest received		1.7	2.5
Interest paid		–4.0	–4.5
Income tax paid		–44.3	–26.2
Total cash flow from operating activities		**155.1**	**91.8**
Purchase of intangible assets		–4.0	–5.4
Sale of intangible assets		0.0	0.0
Purchase of property, plant and equipment		–38.9	–54.3
Sale of property, plant and equipment		4.9	4.7
Acquisitions of subsidiaries, net of cash acquired	4	–123.9	–6.8
Divestitures of subsidiaries		0.4	–
Acquisitions of associates		–6.9	–5.2
Dividends from associates		0.5	–
Purchase of other non-current financial assets		–4.4	–2.3
Sale of other non-current financial assets		0.4	0.3
Purchase of current financial assets		–0.0	–5.2
Sale of current financial assets		302.5	56.9
Total cash flow from investing activities		**130.5**	**–17.3**
Dividends paid to shareholders of Sulzer Ltd	9	–91.9	–92.6
Dividends paid to non-controlling interests in subsidiaries		–2.1	–2.4
Purchase of treasury shares		–14.5	–10.3
Payments of lease liabilities		–20.9	–19.5
Acquisition of non-controlling interests	4	–17.3	–
Proceeds from non-current borrowings	10	0.0	0.1
Repayments of non-current borrowings	10	–2.8	–0.0
Proceeds from current borrowings	10	27.8	43.2
Repayments of current borrowings	10	–28.4	–39.0
Total cash flow from financing activities		**–150.0**	**–120.6**
Exchange gains/losses on cash and cash equivalents		34.9	–32.1
Net change in cash and cash equivalents		**170.5**	**–78.2**
Cash and cash equivalents as of June 30		**1’293.7**	**957.3**

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

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1 General information

Sulzer Ltd (the “company”) is a company domiciled in Switzerland. The address of the company’s registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The unaudited consolidated interim financial statements for the six months ended June 30, 2021, comprise the company and its subsidiaries (together referred to as the “group” and individually as the “subsidiaries”) and the group’s interest in associates and joint ventures. The group specializes in pumping, agitation, mixing, separation and application technologies for fluids of all types. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 15’600 people. The company serves clients in 188 production and service sites around the world. Sulzer Ltd is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

The interim financial statements have been prepared in accordance with the requirements of IAS 34 “Interim financial reporting.” Details of the group’s accounting policies are described in note 13.

2 Significant events and transactions during the reporting period

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

- The group announced on May 27, 2021, the intention to spin-off its Applicator Systems (APS) division through a 1:1 share split, granting Sulzer shareholders one APS share in addition to each Sulzer share held. Upon market introduction, APS will be renamed medmix and its listing will be combined with a share capital increase by medmix in the amount of CHF 200–300 million without subscription rights for existing shareholders. The spin-off of medmix will be executed in the form of a symmetrical split, according to art. 29 para b) and art. 31 para 2a) of the Swiss Merger Act, with existing shareholders receiving one medmix share in addition to each Sulzer share held. Sulzer’s Board of Directors has unanimously approved the transaction. The split of Sulzer into two separate companies and its associated capital increase will be proposed for shareholder approval at an extraordinary general meeting (EGM) to be scheduled in Q3, 2021.
- On February 1, 2021, Sulzer acquired a 100% controlling interest of Nordic Water Holding AB (Nordic Water) for CHF 129.2 million. The headquarters of Nordic Water is located in Gothenburg, Sweden. Nordic Water employs approximately 200 people and is a pioneering innovation leader and is known for its broad application suite in primary, secondary and tertiary water treatment as well as its global reach. With the acquisition of Nordic Water, Sulzer will be able to grow its wastewater treatment business with equipment that complements the existing portfolio of pumps, grinders, mixers, compressors and other products that Sulzer currently provides for the water market. Nordic Water will operate as part of Sulzer’s Pumps Equipment division. The acquisition resulted in an increase in goodwill of CHF 52.1 million and other intangible assets of CHF 73.3 million at the date of acquisition (see note 4).
- For the period ended June 30, 2021, the group recognized restructuring costs of CHF 3.3 million (half year 2020: CHF 43.2 million), partly offset by released restructuring provisions of CHF 1.3 million (half year 2020: CHF 1.2 million). Restructuring costs mainly relate to the resizing of a site in Belgium. Associated with restructuring initiatives, the group further recognized impairments on tangible and intangible assets of CHF 0.9 million (half year 2020: CHF 4.2 million).

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

3 Segment information

Segment information by divisions

	Pumps Equipment		Rotating Equipment Services		Chemtech		Applicator Systems	
millions of CHF	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Order intake[1]	**626.8**	**744.0**	**570.8**	**617.0**	**353.9**	**319.4**	**268.9**	**160.2**
Nominal growth	–15.8%	–1.1%	–7.5%	2.5%	10.8%	–8.8%	67.9%	–29.9%
Currency-adjusted growth	–15.3%	6.0%	–5.6%	10.2%	12.8%	–3.2%	69.4%	–27.3%
Organic growth[2]	–20.2%	7.3%	–6.0%	6.3%	12.8%	–12.0%	53.3%	–27.3%
Order backlog as of June 30/ December 31	869.8	845.0	496.1	435.0	458.2	396.9	124.8	82.0
Sales recognized at a point in time	480.7	389.4	441.5	431.5	175.6	182.4	226.5	166.1
Sales recognized over time	183.2	227.2	84.0	96.6	130.0	105.4	1.8	–
Sales[3]	**663.9**	**616.6**	**525.5**	**528.1**	**305.6**	**287.8**	**228.3**	**166.1**
Nominal growth	7.7%	–10.7%	–0.5%	–5.9%	6.2%	–5.3%	37.5%	–23.9%
Currency-adjusted growth	8.8%	–4.4%	1.3%	1.3%	7.7%	0.2%	38.4%	–21.0%
Organic growth[2]	4.4%	–3.1%	0.9%	–1.2%	7.7%	–7.7%	25.8%	–21.0%
Operational profit	**33.2**	**19.2**	**70.3**	**64.0**	**27.7**	**23.0**	**44.0**	**19.5**
Operational profitability	**5.0%**	**3.1%**	**13.4%**	**12.1%**	**9.1%**	**8.0%**	**19.3%**	**11.8%**
Restructuring expenses	–0.7	–28.9	–0.7	–8.0	–0.6	–3.0	–0.2	–1.1
Amortization	–18.7	–14.8	–2.3	–3.9	–3.2	–3.3	–11.2	–9.0
Impairments on tangible and intangible assets	–	–0.4	–0.3	–0.0	–	–3.7	–0.6	–0.1
Non-operational items	1.0	–2.2	–0.7	–0.8	–2.8	–2.4	–0.8	–0.3
EBIT	**14.8**	**–27.1**	**66.3**	**51.2**	**21.1**	**10.6**	**31.3**	**9.0**
Depreciation	–16.5	–17.3	–15.6	–14.9	–6.5	–6.6	–13.8	–11.3
Operating assets	1'628.5	1'456.4	938.0	893.6	570.7	507.0	751.0	731.1
Unallocated assets	–	–	–	–	–	–	–	–
Total assets as of June 30/ December 31	**1'628.5**	**1'456.4**	**938.0**	**893.6**	**570.7**	**507.0**	**751.0**	**731.1**
Operating liabilities	737.5	725.1	394.3	354.9	372.5	323.6	143.4	126.6
Unallocated liabilities	–	–	–	–	–	–	–	–
Total liabilities as of June 30/ December 31	**737.5**	**725.1**	**394.3**	**354.9**	**372.5**	**323.6**	**143.4**	**126.6**
Operating net assets	891.0	731.3	543.8	538.7	198.3	183.5	607.6	604.5
Unallocated net assets	–	–	–	–	–	–	–	–
Total net assets as of June 30/ December 31	**891.0**	**731.3**	**543.8**	**538.7**	**198.3**	**183.5**	**607.6**	**604.5**
Capital expenditure (incl. lease assets)	–15.1	–21.0	–33.0	–23.8	–9.3	–6.5	–18.1	–22.7
Employees (number of full-time equivalents) as of June 30/ December 31	5'408	5'362	4'510	4'449	3'536	3'221	1'945	1'857

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

Segment information by divisions

	Total divisions		Others[4]		Total Sulzer	
millions of CHF	**2021**	2020	**2021**	2020	**2021**	2020
Order intake[1]	**1’820.4**	**1’840.5**	**–**	**–**	**1’820.4**	**1’840.5**
Nominal growth	–1.1%	–4.8%	–	–	–1.1%	–4.8%
Currency-adjusted growth	0.2%	1.7%	–	–	0.2%	1.7%
Organic growth[2]	–3.3%	–0.6%	–	–	–3.3%	–0.6%
Order backlog as of June 30/ December 31	1’948.9	1’758.9	–	–	1’948.9	1’758.9
Sales recognized at a point in time	1’324.3	1’169.4	–	–	1’324.3	1’169.4
Sales recognized over time	399.0	429.1	–	–	399.0	429.1
Sales[3]	**1’723.3**	**1’598.5**	**–**	**–**	**1’723.3**	**1’598.5**
Nominal growth	7.8%	–9.9%	–	–	7.8%	–9.9%
Currency-adjusted growth	9.2%	–3.9%	–	–	9.2%	–3.9%
Organic growth[2]	6.1%	–5.5%	–	–	6.1%	–5.5%
Operational profit	**175.2**	**125.8**	**–3.6**	**–5.6**	**171.6**	**120.2**
Operational profitability	**10.2%**	**7.9%**	**n/a**	**n/a**	**10.0%**	**7.5%**
Restructuring expenses	–2.1	–41.0	0.1	–1.0	–2.0	–42.0
Amortization	–35.4	–31.0	–0.3	–0.5	–35.7	–31.6
Impairments on tangible and intangible assets	–0.9	–4.2	–	–	–0.9	–4.2
Non-operational items	–3.2	–5.7	–1.0	–0.7	–4.3	–6.4
EBIT	**133.6**	**43.8**	**–4.9**	**–7.8**	**128.7**	**36.0**
Depreciation	–52.5	–50.1	–1.7	–1.5	–54.2	–51.6
Operating assets	3’888.3	3’588.1	174.0	71.1	4’062.3	3’659.2
Unallocated assets	–	–	1’541.6	1’705.6	1’541.6	1’705.6
Total assets as of June 30/ December 31	**3’888.3**	**3’588.1**	**1’715.6**	**1’776.7**	**5’603.9**	**5’364.8**
Operating liabilities	1’647.6	1’530.2	210.7	152.7	1’858.3	1’682.8
Unallocated liabilities	–	–	2’276.4	2’264.8	2’276.4	2’264.8
Total liabilities as of June 30/ December 31	**1’647.6**	**1’530.2**	**2’487.1**	**2’417.4**	**4’134.7**	**3’947.6**
Operating net assets	2’240.7	2’058.0	–36.7	–81.6	2’204.0	1’976.4
Unallocated net assets	–	–	–734.7	–559.2	–734.7	–559.2
Total net assets as of June 30/ December 31	**2’240.7**	**2’058.0**	**–771.4**	**–640.7**	**1’469.3**	**1’417.2**
Capital expenditure (incl. lease assets)	–75.4	–74.0	–0.8	–1.2	–76.3	–75.1
Employees (number of full-time equivalents) as of June 30/ December 31	15’399	14’888	176	165	15’574	15’054

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

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

For the definition of operational profit, operational profitability and adjustments for currency and acquisition effects, reference is made to the Sulzer Annual Report 2020.

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:

Pumps Equipment

The Pumps 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.

Rotating Equipment Services

Through a network of over 100 service sites around the world, the Rotating Equipment Services division provides cutting-edge parts as well as maintenance and repair solutions for pumps, turbines, compressors, motors and generators. 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 biopolymers as well as textile and plastic recycling, contributing to a circular economy. The division’s product offering ranges from technology licensing to process components all the way to complete separation process plants. Customer support ranges from engineering and field services to tray and packing installation, tower maintenance, welding and plant turnaround projects – ensuring minimal downtime.

Applicator Systems

Through its well-known brands (Mixpac, Transcodent, Cox, medmix, Haselmeier and Geka), the Applicator Systems division develops and delivers innovative products and services for liquid application and mixing solutions within the healthcare, adhesives and beauty markets. The division’s IP-protected applicator solutions make the customers’ products precise, safe, unique and more sustainable, leveraging the division’s expertise in plastic-injection molding, two-component mixing, drug delivery and micro-brushes.

Others

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

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

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

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

Segment information by region

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

Sales by region

					2021
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, the Middle East and Africa	**313.8**	**221.5**	**67.1**	**135.7**	**738.2**
– thereof Germany	27.4	25.8	14.7	53.2	121.0
– thereof United Kingdom	11.6	53.8	2.4	9.2	76.9
– thereof Saudi Arabia	56.1	11.7	7.2	0.1	75.1
– thereof France	13.7	13.6	4.5	11.5	43.3
– thereof Russia	15.6	13.5	6.6	1.1	36.8
Americas	**194.8**	**232.2**	**65.5**	**70.8**	**563.3**
– thereof USA	112.6	182.2	41.5	64.8	401.0
Asia-Pacific	**155.3**	**71.8**	**172.9**	**21.8**	**421.9**
– thereof China	115.3	11.4	127.5	10.1	264.2
Total	**663.9**	**525.5**	**305.6**	**228.3**	**1'723.3**

					2020
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, the Middle East and Africa	**263.5**	**219.1**	**84.4**	**96.8**	**663.8**
– thereof Germany	30.8	23.8	13.3	37.8	105.7
– thereof United Kingdom	11.6	52.8	4.9	6.8	76.2
– thereof Saudi Arabia	35.3	11.4	17.0	0.0	63.7
– thereof Russia	16.4	30.8	5.5	1.0	53.7
– thereof France	14.1	9.8	2.3	12.0	38.3
Americas	**226.0**	**239.1**	**66.9**	**55.5**	**587.5**
– thereof USA	152.7	195.4	47.6	50.0	445.6
Asia-Pacific	**127.0**	**69.8**	**136.5**	**13.8**	**347.2**
– thereof China	93.8	10.2	89.5	6.4	199.9
Total	**616.6**	**528.1**	**287.8**	**166.1**	**1'598.5**

Segment information by market segment

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

Sales by market segment — Pumps Equipment

millions of CHF	2021	2020
Energy	239.9	255.3
Water	233.6	188.8
Industry	190.5	172.4
Total Pumps Equipment	**663.9**	**616.6**

Sales by market segment — Rotating Equipment Services

millions of CHF	2021	2020
Pumps Services	283.7	285.8
Other Equipment	241.9	242.2
Total Rotating Equipment Services	**525.5**	**528.1**

Sales by market segment — Chemtech

millions of CHF	2021	2020
Chemicals	178.4	151.4
Gas/Refining	57.8	62.8
Service	47.9	46.1
Renewables	14.3	17.4
Water	7.2	10.0
Total Chemtech	**305.6**	**287.8**

Sales by market segment — Applicator Systems

millions of CHF	2021	2020
Dental	60.7	35.9
Drug delivery	21.3	–
Surgery	5.8	6.6
Total Healthcare	**87.9**	**42.5**
Industry	78.5	62.7
Beauty	61.9	60.8
Total Consumer & Industrial	**140.5**	**123.6**
Total Applicator Systems	**228.3**	**166.1**

4 Acquisitions of subsidiaries and non-controlling interests

Acquisitions of subsidiaries in 2021

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

Net assets acquired

millions of CHF	Nordic Water	Others	Total
Intangible assets	73.3	7.4	80.7
Property, plant and equipment	1.2	1.4	2.6
Lease assets	3.0	1.5	4.4
Deferred income tax assets	0.1	–	0.1
Cash and cash equivalents	14.2	0.9	15.1
Trade accounts receivable	7.4	0.1	7.5
Other current assets	19.9	1.3	21.2
Lease liabilities	–3.0	–1.4	–4.4
Provisions	–0.5	–0.2	–0.7
Non-current income tax liabilities	–	–	–
Deferred income tax liabilities	–17.9	–1.0	–18.9
Other liabilities	–20.7	–0.4	–21.1
Net identifiable assets	**77.1**	**9.4**	**86.4**
Goodwill recognized in balance sheet	52.1	1.7	53.8
Total consideration	**129.2**	**11.0**	**140.3**
			–
Purchase price paid in cash	129.2	9.1	138.3
Contingent consideration	–	1.9	1.9
Total consideration	**129.2**	**11.0**	**140.3**

Nordic Water

On February 1, 2021, Sulzer acquired a 100% controlling interest of Nordic Water Holding AB (Nordic Water) for CHF 129.2 million. The headquarters of Nordic Water is located in Gothenburg, Sweden. Nordic Water employs approximately 200 people and is a pioneering innovation leader and is known for its broad application suite in primary, secondary and tertiary water treatment as well as its global reach. With the acquisition of Nordic Water, Sulzer will be able to grow its wastewater treatment business with equipment that complements the existing portfolio of pumps, grinders, mixers, compressors and other products that Sulzer currently provides for the water market. Nordic Water will operate as part of Sulzer's Pumps Equipment division. The goodwill is attributable to synergies by leveraging the scale of the combined businesses. None of the goodwill is expected to be deductible for tax purposes. Transaction costs recognized in the income statement amount to CHF –1.0 million. Since the acquisition date, Nordic Water contributed order intake of CHF 39.4 million, sales of CHF 29.0 million, and net income of CHF –0.3 million to the group.

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 7.4 million. The gross contractual amount for trade account receivables due is CHF 7.9 million, of which CHF 0.5 million are expected to be uncollectible at the date of acquisition.

Acquisitions of non-controlling interests in 2021

On March 22, 2021, the group acquired an additional 49.5% interests in Sulzer Wood Ltd. for CHF 17.3 million, increasing its ownership from 50.5% to 100%. The carrying amount of Sulzer Wood's net assets in the group's consolidated financial statements on the acquisition date was

CHF 5.4 million. The group recognized a decrease of non-controlling interests of CHF 5.4 million and a decrease in equity attributable to owners of Sulzer Ltd of CHF 11.9 million.

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

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

Pro forma sales and profit contribution

Had all above acquisitions occurred on January 1, 2021, management estimates that total net sales of the group would amount to CHF 1'727.5 million, and the consolidated net income would be CHF 85.4 million.

Restated balance sheet as of December 31, 2020

The group reassessed the accounting treatment of the contingent consideration of the Haselmeier acquisition based on facts and circumstances already existing at the acquisition date on October 1, 2020. Since the group concluded not to pursue the development project, the earn-out amount was adjusted from CHF 14.2 million to CHF 0.3 million retrospectively. Consequently, the group adjusted goodwill and other non-current liabilities by CHF 13.9 million as of December 31, 2020.

millions of CHF	As reported 2020	Measurement adjustment	Restated 2020
Goodwill	957.7	–13.9	943.8
Total non-current assets	**2'215.9**	**–13.9**	**2'202.0**
Total assets	**5'378.7**	**–13.9**	**5'364.8**
Other non-current liabilities	21.9	–13.9	8.0
Total non-current liabilities	**1'989.9**	**–13.9**	**1'976.0**
Total equity and liabilities	**5'378.7**	**–13.9**	**5'364.8**

Cash flow from acquisitions of subsidiaries

millions of CHF	2021	2020
Cash consideration paid	–138.3	–1.5
Contingent consideration paid	–0.5	–
Cash acquired	15.1	–5.3
Total cash flow from acquisitions, net of cash acquired	**–123.9**	**–6.8**

Contingent consideration

millions of CHF	2021	Restated 2020
Balance as of January 1	4.4	3.5
Assumed in a business combination	1.9	0.3
Payment of contingent consideration	–0.5	–
Currency translation differences	0.3	0.6
Total contingent consideration as of June 30/ December 31	**6.1**	**4.4**
– thereof non-current	1.9	–
– thereof current	4.2	4.4

5 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as of June 30, 2021, and December 31, 2020, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

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

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

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

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

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

Fair value table

										June 30, 2021
		Carrying amount					Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value										
Other non-current financial assets (at fair value)			9.0			9.0	0.2	–	8.8	9.0
Derivative assets – non-current		–				–	–	–	–	–
Derivative assets – current		3.1				3.1	–	3.1	–	3.1
Current financial assets (at fair value)			1.7			1.7	1.7	–	–	1.7
Total financial assets measured at fair value		**3.1**	**10.7**	**–**	**–**	**13.9**	**2.0**	**3.1**	**8.8**	**13.9**
Financial assets not measured at fair value										
Other non-current financial assets (at amortized cost)				5.7		5.7				
Non-current receivables (excluding non-current derivative assets)				4.6		4.6				
Trade accounts receivable				575.0		575.0				
Other current receivables (excluding current derivative assets and other taxes)				21.3		21.3				
Current financial assets (at amortized cost)				1.2		1.2				
Cash and cash equivalents				1’292.5		1’292.5				
Total financial assets not measured at fair value		**–**	**–**	**1’900.4**	**–**	**1’900.4**				
Financial liabilities measured at fair value										
Derivative liabilities – non-current		0.1				0.1	–	0.1	–	0.1
Derivative liabilities – current		8.4				8.4	–	8.4	–	8.4
Contingent considerations	4		6.1			6.1	–	–	6.1	6.1
Total financial liabilities measured at fair value		**8.5**	**6.1**	**–**	**–**	**14.6**	**–**	**8.5**	**6.1**	**14.6**
Financial liabilities not measured at fair value										
Outstanding non-current bonds	10				1’488.7	1’488.7	1’518.8	–	–	1’518.8
Other non-current borrowings					0.9	0.9				
Other non-current liabilities (excluding non-current derivative liabilities)					6.9	6.9				
Outstanding current bonds	10				209.9	209.9	210.4	–	–	210.4
Other current borrowings and bank loans					21.9	21.9				
Trade accounts payable					478.2	478.2				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)					353.8	353.8				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**2’560.2**	**2’560.2**				

Fair value table

										December 31, 2020
		Carrying amount					Fair value			
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets measured at fair value										
Other non-current financial assets (at fair value)			8.7			8.7	0.2	–	8.4	8.7
Derivative assets – non-current		1.0				1.0	–	1.0	–	1.0
Derivative assets – current		12.1				12.1	–	12.1	–	12.1
Current financial assets (at fair value)			1.7			1.7	1.7	–	–	1.7
Total financial assets measured at fair value		**13.2**	**10.4**	**–**	**–**	**23.6**	**2.0**	**13.2**	**8.4**	**23.6**
Financial assets not measured at fair value										
Other non-current financial assets (at amortized cost)				2.0		2.0				
Non-current receivables (excluding non-current derivative assets)				3.3		3.3				
Trade accounts receivable				599.1		599.1				
Other current receivables (excluding current derivative assets and other taxes)				19.2		19.2				
Current financial assets (at amortized cost)				303.3		303.3				
Cash and cash equivalents				1’123.2		1’123.2				
Total financial assets not measured at fair value		**–**	**–**	**2’050.0**	**–**	**2’050.0**				
Financial liabilities measured at fair value										
Derivative liabilities – non-current		1.2				1.2	–	1.2	–	1.2
Derivative liabilities – current		6.9				6.9	–	6.9	–	6.9
Contingent considerations	4		4.4			4.4	–	–	4.4	4.4
Total financial liabilities measured at fair value		**8.1**	**4.4**	**–**	**–**	**12.5**	**–**	**8.1**	**4.4**	**12.5**
Financial liabilities not measured at fair value										
Outstanding non-current bonds	10				1’488.5	1’488.5	1’527.5	–	–	1’527.5
Other non-current borrowings					2.7	2.7				
Other non-current liabilities (excluding non-current derivative liabilities)					6.8	6.8				
Outstanding current bonds	10				209.9	209.9	211.3	–	–	211.3
Other current borrowings and bank loans					21.9	21.9				
Trade accounts payable					465.8	465.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)					307.6	307.6				
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**2’503.2**	**2’503.2**				

6 Other operating income and expenses

millions of CHF	2021	2020
Gain from sale of property, plant and equipment	1.0	0.3
Operating currency exchange gains, net	1.6	–
Other operating income	5.5	7.4
Total other operating income	**8.1**	**7.7**
Restructuring expenses	–2.0	–42.0
Impairments on tangible and intangible assets	–0.9	–4.2
Cost for mergers and acquisitions	–2.3	–0.2
Loss from sale of property, plant and equipment	–0.0	–0.1
Operating currency exchange losses, net	–	–1.6
Total other operating expenses	**–5.3**	**–48.1**
Total other operating income and expenses, net	**2.8**	**–40.3**

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales from customers.

For the period ended June 30, 2021, the group recognized restructuring costs of CHF 3.3 million (half year 2020: CHF 43.2 million), partly offset by released restructuring provisions of CHF 1.3 million (2020: CHF 1.2 million). Restructuring costs mainly relate to the resizing of a site in Belgium. During 2020, the group had initiated restructuring measures of sites in Europe and the USA to mitigate the impact of market disruptions on Energy-related business activities caused by the pandemic. The group further performed impairment tests on production machines and facilities leading to impairments of CHF 0.9 million (half year 2020: CHF 4.2 million).

The functional allocation of the total restructuring expenses and impairments is as follows: cost of goods sold CHF –0.6 million (half year 2020: CHF –32.3 million), selling and distribution expenses CHF –0.2 million (half year 2020: CHF –3.2 million), general and administrative expenses CHF –1.5 million (half year 2020: CHF –9.7 million) and research and development expenses CHF –0.6 million (half year 2020: CHF –1.0 million).

7 Financial income and expenses

millions of CHF	2021	2020
Interest and securities income	1.7	2.5
Total interest and securities income	**1.7**	**2.5**
Interest expenses on borrowings and lease liabilities	–11.7	–10.3
Interest expenses on employee benefit plans	–1.4	–1.4
Total interest expenses	**–13.1**	**–11.7**
Total interest income and expenses, net	**–11.4**	**–9.3**
Fair value changes	–8.1	11.9
Other financial expenses	–0.4	–1.3
Currency exchange gains/losses, net	6.5	–13.6
Total other financial income and expenses, net	**–2.0**	**–3.0**
Total financial income and expenses, net	**–13.4**	**–12.3**
– thereof fair value changes on financial assets at fair value through profit and loss	–8.1	11.9
– thereof interest income on financial assets at amortized costs	1.7	2.5
– thereof other financial expenses	–0.4	–1.3
– thereof currency exchange gains/losses, net	6.5	–13.6
– thereof interest expenses on borrowings	–10.4	–9.1
– thereof interest expenses on lease liabilities	–1.3	–1.2
– thereof interest expenses on employee benefit plans	–1.4	–1.4

Total financial expenses amounted to CHF 13.4 million, compared with CHF 12.3 million in the first half of 2020.

“Interest expenses” increased from CHF 10.3 million in the first half year 2020 to CHF 11.7 million for the same period in 2021. This is mainly due to interest expenses on bonds issued in the second half of 2020.

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

8 Income taxes

Income tax expenses comprise current and deferred tax. Income tax expenses are recognized based on the estimated income tax rate for the full financial year. The estimated average annual tax rate used for the year 2021 is 24.4%, compared with 28.4% for the six months ended June 30, 2020. Compared to 2020, the effective income tax rate used for 2021 was less impacted by restructuring expenses with no corresponding tax effects and the allocation of profitability among the group’s entities is more favorable.

9 Equity

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

Treasury shares

The total number of shares held by Sulzer Ltd as of June 30, 2021, amounted to 474’078 treasury shares (December 31, 2020: 426’467 shares).

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

Dividends

On April 14, 2021, the Annual General Meeting approved an ordinary dividend of CHF 4.00 (2020: ordinary dividend of CHF 4.00) per share to be paid out of reserves. The dividend was paid to shareholders on April 20, 2021. The total amount of the dividend to shareholders of Sulzer Ltd is CHF 135.4 million (2020: CHF 136.1 million), thereof paid dividends of CHF 91.9 million (2020: CHF 92.6 million) and unpaid dividends of CHF 43.5 million (2020: CHF 43.5 million). The unpaid dividends are reflected in the balance sheet position “other current and accrued liabilities” (see note 12).

10 Borrowings

			2021
millions of CHF	Non-current borrowings	Current borrowings	**Total**
Balance as of January 1	1’491.3	231.8	1’723.1
Acquired through business combination	0.9	–	0.9
Cash flow from proceeds	0.0	27.8	27.9
Cash flow for repayments	–2.8	–28.4	–31.1
Changes in amortized costs	0.1	0.1	0.2
Currency translation differences	0.0	0.5	0.5
Total borrowings as of June 30	**1’489.6**	**231.8**	**1’721.4**

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

The group arranged a CHF 500 million syndicated credit facility with maturity date May 2022. The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA (earnings before interest, taxes, depreciation and amortization), which were adhered to throughout the reporting period. As of June 30, 2021, and December 31, 2020, the syndicated facility of CHF 500 million was not used.

Outstanding bonds

	2021		2020	
millions of CHF	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	325.1	325.0	325.1	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
1.300% 07/2018–07/2023	289.7	290.0	289.6	290.0
0.625% 10/2018–10/2021	209.9	210.0	209.9	210.0
1.600% 10/2018–10/2024	249.9	250.0	249.8	250.0
0.800% 09/2020–09/2025	299.4	300.0	299.3	300.0
0.875% 11/2020–11/2027	199.7	200.0	199.6	200.0
Total as of June 30/ December 31	**1’698.6**	**1’700.0**	**1’698.4**	**1’700.0**
– thereof non-current	1’488.7	1’490.0	1’488.5	1’490.0
– thereof current	209.9	210.0	209.9	210.0

All outstanding bonds are traded at the SIX Swiss Exchange.

11 Provisions

						2021
millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Environmental	Other	**Total**
Balance as of January 1	53.5	85.3	41.5	12.8	56.3	249.3
Acquired through business combination	0.1	0.6	–	–	–	0.7
Additions	5.8	16.4	3.3	–	39.2	64.8
Released as no longer required	–	–1.7	–1.3	–	–3.0	–6.0
Utilized	–4.1	–8.2	–17.2	–1.1	–32.2	–62.8
Currency translation differences	1.2	2.6	0.5	0.3	–0.2	4.4
Total provisions as of June 30	**56.5**	**95.0**	**26.8**	**12.0**	**60.2**	**250.5**
– thereof non-current	39.1	3.8	2.3	11.9	9.2	66.4
– thereof current	17.3	91.2	24.5	0.0	51.0	184.1

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

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

For the period ended June 30, 2021, the group recognized restructuring costs of CHF 3.3 million (half year 2020: CHF 43.2 million), partly offset by released restructuring provisions of CHF 1.3 million (half year 2020: CHF 1.2 million). Restructuring costs mainly relate to the resizing of a site in Belgium. During 2020, the group had initiated restructuring measures of sites in Europe and the USA to mitigate the impact of market disruptions on Energy-related business activities caused by the pandemic. Up to June 2021, CHF 17.2 million (half year 2020: 12.5 million) were utilized with respect to such restructuring provisions. The remaining restructuring provision as of June 30, 2021, is CHF 26.8 million (half year 2020: CHF 47.1 million), of which CHF 24.5 million (half year 2020: CHF 43.8 million) is expected to be utilized within one year.

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

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

12 Other current and accrued liabilities

millions of CHF	2021	2020
Liability related to the purchase of treasury shares	104.3	103.4
Outstanding dividend payments	201.1	157.6
Taxes (VAT, withholding tax)	31.7	35.6
Derivative financial instruments	8.4	6.9
Notes payable	20.2	17.0
Contingent consideration	4.2	4.4
Other current liabilities	28.2	29.6
Total other current liabilities as of June 30/ December 31	**398.1**	**354.5**
Contract-related costs	139.3	116.3
Salaries, wages and bonuses	104.5	114.0
Vacation and overtime claims	33.3	20.8
Other accrued liabilities	148.3	116.3
Total accrued liabilities as of June 30/ December 31	**425.4**	**367.5**
Total other current and accrued liabilities as of June 30/ December 31	**823.5**	**721.9**

The outstanding dividend payments amounted to CHF 201.1 million (December 31, 2020: CHF 157.6 million), which is an increase of CHF 43.5 million. The details regarding the dividends are explained in note 9.

13 Accounting policies

13.1 Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the consolidated financial statements for the year 2020 and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the financial statements for the year ended December 31, 2020, and any public announcements made by Sulzer during the interim reporting period.

Transaction costs recorded in equity

Transaction costs that are directly attributable to the potential spin-off of medmix, and that would otherwise have been avoided, are recorded as a deduction from equity. If the spin-off does not occur, the cost will be recycled into the consolidated income statement.

13.2 Change in accounting policies

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

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

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

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

14 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated interim financial statements for issue on July 20, 2021. At the time when these consolidated interim financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any other events that would materially affect these financial statements.

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Disclaimer

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

Rounding

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

Tables

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

Languages

Parts of the Sulzer Midyear Report 2021 have been translated into German. Please note that the English-language version of the Sulzer Midyear Report is the binding version.