The Company 2015

ADDRESSING GLOBAL TRENDS

Sulzer specializes in pumping solutions, rotating equipment maintenance and services, and separation, reaction, and mixing technology. We create reliable and sustainable solutions for our key markets: oil and gas, power, and water. Combining engineering and application expertise, our innovative products and services add value and strengthen the competitive position of our customers. Sulzer serves clients around the world through a network of over 170 locations in more than 40 countries.

Global megatrends come together in large cities such as New York, NY, USA. Because urban areas are growing constantly, the demand for freshwater, clean air, and energy is rising steadily.

ADDRESSING GLOBAL TRENDS AND PROVIDING THE RIGHT ANSWERS

Dear shareholder

A greater need for clean water, growing air pollution, and increasing energy demand are global megatrends that are triggering both innovation and investments. Our excellent product and service offering enables us to face these rising needs successfully and provide the right answers. Our solutions support our customers today and will help them in the future in coping with water scarcity, mitigating air pollution, and reducing energy consumption.

Unleashing Sulzer's full potential

One year ago, we introduced the Sulzer Full Potential (SFP) program. This strategic program sets out to complete Sulzer's transformation into a truly market-oriented, globally operating, and integrated company. It is based on three pillars: strategy, operating model, and operational excellence. The SFP program targets total annual cost savings of approximately CHF 200 million in a steady state from 2018 onwards, allowing us to both mitigate the current market headwinds and close the profitability gap to our top-tier competitors. It got off to a good start in 2015.

Important milestones achieved in 2015

At the beginning of 2015, we reorganized our Pumps Equipment division into three market-oriented business units (Oil and Gas, Power, and Water), a dedicated global aftermarket organization (Global Parts, Retrofit, and Nuclear Services organization), and a global operations network to manage our manufacturing assets transversally. We believe it allows us to better serve our customers in our end-markets and regions.

We adapted our manufacturing footprint and streamlined our manufacturing capacities in the Pumps Equipment division in China, Brazil, and the USA. In the Chemtech division, we adapted our operational setup and discontinued parts of our manufacturing activities in China, Singapore, Canada, and Switzerland. We restructured our service centers and improved operations in our Rotating Equipment Services division in the UK and other parts of Europe. Further, the company decided to close its foundries in Jundiaí, Brazil, and Kotka, Finland.

We created a global procurement organization that works across divisions to fully leverage Sulzer's procurement power.

Finally, we are simplifying our organization to reduce complexity, foster synergies and collaboration, and promote our strong Sulzer brand. A good indicator of progress is the number of Sulzer legal entities, which has dropped from over 160 two years ago to below 100 at the end of 2015. More consolidations are planned in 2016.

Significant market headwinds

Since the beginning of 2015, Sulzer has faced increasing headwinds, particularly in the oil and gas market. Oil prices are widely expected to remain low, driving Sulzer's oil and gas customers to further cut their capital and operating costs. In addition, regional developments, such as the economic

“Global megatrends are triggering both innovation and investments. Our excellent product and service offering enables us to address these trends successfully.”

slowdowns in China and Brazil, negatively affected our business performance. We also felt the impact of the reduced operating hours for gas turbines in Europe on our service revenue and asset use. These adverse market conditions make deepening and accelerating the SFP program a priority.

On another note, the Swiss franc has still not fully recovered since January 2015, when the Swiss National Bank decided to end its three-year policy of capping the Swiss franc at CHF 1.20 per euro. However, to a great extent, Sulzer is naturally hedged, producing in the region for the region. Because headquarters and a few Chemtech manufacturing sites are located in Switzerland, we see only a limited transactional foreign exchange impact.

Financial performance in 2015

Order intake was CHF 2.9 billion (2014: CHF 3.2 billion). It decreased by 3.7% from the previous year on a currency-adjusted basis. Sales were CHF 3.0 billion (2014: CHF 3.2 billion), which is a decrease of 3.2% on a currency-adjusted basis. The lower sales volumes, lower gross margin, and currency effects negatively affected operational EBITA, which amounted to CHF 254.1 million (2014: CHF 302.9 million). Savings from the SFP program partially offset this decline. As a result, the company has narrowed the profitability gap to its top-tier competitors by approximately 200 basis points (based on Bloomberg consensus estimates as of January 28, 2016).

The net income attributable to shareholders of Sulzer Ltd was CHF 73.9 million (2014: CHF 275.0 million). This results in basic earnings per share of CHF 2.17 (2014: CHF 8.09). The Board of Directors will propose an ordinary dividend of CHF 3.50 (2014: CHF 3.50) per share at the Annual General Meeting on April 7, 2016.

Commitment to financial discipline

Sulzer’s management and board have full confidence in the company’s strong free cash flow generation and the success of the ongoing SFP program. We aim to keep sufficient headroom for value accretive M&A activities in the near term but remain committed to optimizing our currently inefficient capital structure in the present interest rate environment. As such, we have decided to return a significant part of our excess cash to shareholders. The Board of Directors will therefore propose a one-time special dividend of CHF 14.60 per share at the Annual General Meeting on April 7, 2016. After the special dividend, Sulzer will continue to have a net cash position and one of the strongest balance sheets in its industry, allowing it to pursue all strategic options.

Renova supports Sulzer’s strategy

Renova, Sulzer’s anchor shareholder, has increased its stake to 63.42% of all Sulzer shares. Renova has confirmed its long-term commitment to the company and will maintain a balanced approach towards governance. It has clearly stated that it does not intend to change Sulzer’s strategic focus and that it will continue to work closely with Sulzer’s Board and its management to carry out the SFP program successfully.

Changes in the Board and the management

Fabrice Billard joined the Executive Committee as Chief Strategy Officer in March. Gerhard Roiss was elected as new member of the Board of Directors in April. Luciano Respini did not stand for reelection at the Annual General Meeting 2015. Former CEO Klaus Stahlmann left the company in August. From August to November, Thomas Dittrich took over as CEO ad interim in addition to his duties as CFO. Greg Poux-Guillaume was appointed as new Chief Executive Officer in November, effective December 1, 2015.

Outlook 2016

Sulzer has a balanced business mix, with half of its business outside the oil and gas market and the aftermarket business accounting for half of sales. However, the company expects continued low oil prices and high volatility throughout 2016 and beyond, resulting in subdued demand and price pressure from its oil and gas customers. Given these market headwinds, Sulzer increases and accelerates cost savings from its ongoing SFP program. The company expects cost savings from the SFP program to be in the range of CHF 60 to 80 million in 2016 and total annual cost savings of approximately CHF 200 million in a steady state from 2018 onwards.

For the full year 2016, order intake and sales are expected to decline by 5 to 10%, adjusted for currency effects. Supported by the cost savings from the SFP program, Sulzer expects opEBITA margins of approximately 8% (opEBITA in percent of sales).

Dear shareholder, we would like to thank you for your confidence and continued trust. We express our thanks for the willingness and commitment among all of our employees, particularly in this past challenging year. We would also like to thank our customers and partners for their continued cooperation.

Yours sincerely,

Peter Löscher	Greg Poux-Guillaume
Chairman of the Board	CEO

Winterthur, February 24, 2016

Order Intake

Order intake was CHF 2.9 billion (2014: CHF 3.2 billion). On a currency-adjusted basis, this is 3.7% less from 2014.

FCF

Free cash flow (FCF) improved to CHF 155.8 million from the previous year (2014: CHF 98.0 million).

Operational EBITA

Operational EBITA was CHF 254.1 million (2014: CHF 302.9 million). This is a decrease of 11.8% on a currency-adjusted basis.

Operational ROSA

Operational ROSA declined from 9.4% in the previous year to 8.6% in 2015.

EPS and Dividend

Net income attributable to shareholders of Sulzer Ltd was CHF 73.9 million (2014: CHF 275.0 million). This results in basic earnings per share (EPS) of CHF 2.17 (2014: CHF 8.09). The Board of Directors will propose an ordinary dividend of CHF 3.50 per share and a one-time special dividend of CHF 14.60 per share at the Annual General Meeting on April 7, 2016.

Operational ROCEA

Operational ROCEA was 17.0% in 2015 (2014: 17.1%).

Order Intake Gross Margin

Order intake gross margin increased to 33.8% (2014: 33.5%).

Sales

Sales were CHF 3.0 billion (2014: CHF 3.2 billion) which is a decrease of 3.2% on a currency-adjusted basis compared with the previous year.

Abbreviations

EBIT:	Operating income
ROS:	Return on sales (EBIT/sales)
opEBITA:	Operating income before restructuring, amortization, impairments, and non-operational items
opROSA:	Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales)
opROCEA:	Return on capital employed (opEBITA/average capital employed)
EPS:	Basic earnings per share
FCF:	Free cash flow

Sulzer Full Potential Program Partially Offsets Significant Market Headwinds

Order intake decreased by 3.7%. A significant decline in the oil and gas market was partially compensated by strong growth in the power market. Sales decreased by 3.2% due to the lower order intake and oil and gas order suspensions in Pumps Equipment. Savings related to the Sulzer Full Potential (SFP) program were offset by lower sales volumes, a lower gross margin, and currency effects. Free cash flow improved strongly by CHF 57.8 million.

Low oil price and severe market downturn in China impacted order intake

Order intake decreased by 3.7% from 2014 (nominal: –8.4%). Order intake gross margin increased slightly by 0.3 percentage points to 33.8% due to an increased share of higher margin aftermarket business.

Order intake of the Pumps Equipment division decreased by 6.7%. Strong growth in the power market and moderate growth in the water market were more than offset by a sharp decline of orders in the oil and gas market. In the Rotating Equipment Services division, order intake weakened by 0.9%, mainly because of lower demand in the oil and gas market and in Europe. Order intake in the Chemtech division grew by 1.4%. Large orders received in the Tower Field Services business unit in the Middle East offset the negative effect of the severe market downturn in China.

Order intake in the oil and gas market decreased significantly, mostly because of fewer equipment orders. Oil companies further cut their capital cost, particularly following the significant drop of the oil price since mid-year. This impacted Sulzer's order intake in the second half of the year. In the power market, order intake rose strongly, mainly driven by the Pumps Equipment and Rotating Equipment Services divisions.

Order intake dwindled in Asia-Pacific and in the Americas, while it increased in EMEA mainly driven by large orders recorded by Chemtech. The fall in order intake was significant in China, due to severe market downturn. In particular, Pumps Equipment and Chemtech were negatively affected. In the second half of the year, order intake volumes were also increasingly affected in Brazil and Mexico.

The currency translation effect amounted to a negative CHF 148.9 million affected by weaker Brazilian real, Russian ruble, euro, and a stronger US dollar. Acquisitions contributed CHF 36.2 million in 2015.

"The Sulzer Full Potential program got off to a very good start in 2015. It helped us partially offset the impact from significant market headwinds. We expect cost savings from the program to be in the range of CHF 60 to 80 million in 2016."

Thomas Dittrich, Chief Financial Officer

Orders

millions of CHF	2015	2014
Order intake	2 895.8	3 160.8
Order intake gross margin	33.8%	33.5%
Order backlog as of December 31	1 510.7	1 699.6

Free cash flow

CHF **155.8m**

(2014: CHF 98.0m)

As of December 31, 2015, the order backlog decreased to CHF 1 510.7 million (December 31, 2014: CHF 1 699.6 million). Orders in suspension decreased from the half year to CHF 49 million at year-end due to release into execution.

Sales decreased slightly because of low oil and gas volumes

Sales amounted to CHF 2 971 million — a drop of 3.2% (nominal: – 7.5%). The negative currency translation effect totaled CHF 137.9 million.

See abbreviations on page 4.

If not otherwise indicated, changes compared with the previous year are based on currency-adjusted figures.

In 2015, oil and gas sales were significantly impacted as a result of suspensions of previously received orders in Pumps Equipment as well as declining order intake resulting from the low oil price and the severe market downturn in China. Moderate growth in the power market and the general industry partially offset this negative effect. Sales volume in the water market remained broadly flat. Sales increased in EMEA while the Americas and Asia-Pacific were down from the previous year. Consequently, the share of sales in emerging markets slid from 42% in 2014 to 40% in 2015.

Gross margin impacted by price pressure in the oil and gas market

Gross margin declined by 0.6 percentage points to 30.8% (nominal: 30.6%) compared with 31.4% in 2014. The impact of the strong headwinds in the oil and gas market had a dilutive effect on the gross margin. It was partially absorbed by the positive effect of the changed sales mix and benefits from the SFP program. All divisions reported lower gross margins than in the prior year. Total gross profit decreased by CHF 99.8 million to CHF 910.1 million (2014: CHF 1 009.9 million) because of lower volumes and margins.

Operational EBITA impacted by lower sales volume, margin decline, and foreign exchange effects

Operational EBITA (opEBITA) amounted to CHF 254.1 million compared with CHF 302.9 million in 2014, a decrease of 11.8% (nominal: –16.1%). Savings related to the SFP program were offset by lower sales volume and gross margin, as described above, and transactional foreign exchange effects amounting to CHF –3.8 million (2014: CHF 4.7 million), impacting operational expenses. Operational ROSA (opROSA) decreased to 8.6% compared with 9.4% in 2014.

Operating expenses excluding amortization, impairment on goodwill, restructuring expenses, and other non-operational items were reduced by 1.8%. Savings measures in selling as well as administrative expenses were partly offset by acquisition-related cost increases and the abovementioned transactional foreign exchange effects. Research and development expenses remained broadly stable.

Key performance ratios before goodwill impairment

	2015	2014
opROSA	8.6%	9.4%
opROCEA	17.0%	17.1%

opROSA

8.6%

(2014: 9.4%)

The divisions achieved the following profitability figures (opROSA):

— Pumps Equipment: 7.3% (2014: 9.2%). The lower profitability was due to market headwinds in the oil and gas industry, adverse transactional currency effects, and an internal shift of expenses. Adjusted for these items, operational ROSA would have been 8.6%.

— Rotating Equipment Services: 10.2% (2014: 8.9%). Profitability increased mainly driven by a stronger US domestic market, an internal shift of costs, and strict cost control measures.

— Chemtech: 10.1% (2014: 12.6%). Lower sales, particularly in China, resulted in a pronounced drop in gross profit. Although capacities and operating expenses were adjusted swiftly, operational ROSA was negatively affected.

See abbreviations on page 4.

Bridge from EBIT to operational EBITA

millions of CHF	2015	2014
EBIT	**120.9**	**–69.0**
Amortization	42.3	43.3
Impairment on tangible and intangible assets	13.0	340.4
Restructuring expenses	41.2	11.2
Adjustments for other non-operational items[1]	36.7	–23.0
opEBITA	**254.1**	**302.9**
opROSA	**8.6%**	**9.4%**

[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.

Restructuring expenses and costs for the SFP program impacted operating income

As part of the SFP program, Sulzer has initiated several actions to adapt the global manufacturing capacities and streamline the organizational setup. The measures resulted in higher restructuring expenses than in 2014. These costs were mainly associated with measures started in Brazil, the Netherlands, China, Switzerland, the United States, and Finland. These measures entailed a reduction of 1 128 full-time equivalents. Other non-operational items amounted to CHF 36.7 million in 2015 and included the following main items: SFP-related expenses (CHF –38.3 million), costs relating to a settled dispute with the purchaser of the locomotive business that Sulzer sold in 1998 (CHF –8.7 million) partly offset by a release of provisions from the real estate sales in 2010 (CHF 6.8 million), and the adjustment of contingent considerations related to acquisitions (CHF 12.9 million).

Consequently, EBIT amounted to CHF 120.9 million compared with CHF –69.0 million in 2014. Return on sales (ROS) was 4.1% compared with 8.4%[2] in 2014.

Financial income: higher interest expenses

Total financial expenses amounted to CHF 24.7 million compared with CHF 16.7 million in 2014. Interest expenses were higher (up CHF 6.7 million) because of a CHF 5.2 million payment that related to a settled dispute with the purchaser of the locomotive business. Further, other financial expenses increased by CHF 1.0 million to CHF –3.3 million.

Profit from associates relating to joint ventures in China and the Middle East

In 2015, Sulzer established joint ventures in China for the service of gas turbines and in the Middle East for the service of rotating equipment of oil and gas and power customers. In 2015, these joint ventures generated a profit of CHF 3.7 million.

[2] For 2014, ROS before impairment on goodwill.

See abbreviations on page 4.

Lower income tax and effective tax rate

Income tax expenses have significantly decreased to CHF 24.9 million (2014: CHF 71.9 million) due to a significantly lower pre-tax income of CHF 99.9 million (2014: CHF 254.3 million excluding adjustment for goodwill impairment). The effective income tax rate for 2015 was 24.9% compared to 28.3% in 2014.

Core net income decreased compared with prior year

In 2015, net income amounted to CHF 75.0 million which was CHF 203.1 million below the previous year. Core net income, excluding the tax-adjusted effects of the Sulzer Metco divestiture, goodwill impairment, restructuring, and other non-operational items, totaled CHF 175.0 million compared with CHF 205.4 million in 2014. Basic earnings per share decreased from CHF 8.09 in 2014 to CHF 2.17 in 2015.

Balance sheet: net working capital improved

Total assets as of December 31, 2015, amounted to CHF 4 255 million, which is a decrease of CHF 398 million from 2014.

Non-current assets decreased nominally by CHF 108 million due to lower property, plant, and equipment (CHF –39 million) and lower goodwill and other intangible assets (CHF –73 million). Adjusted for currency effects, goodwill, other intangible assets, and property, plant, and equipment increased by CHF 58 million, mainly due to acquisitions.

Current assets decreased by CHF 290 million. This drop is due to a reduction in trade and other accounts receivables of CHF 129 million, lower inventories of CHF 78 million, and lower cash positions of CHF 186 million (including a shift to marketable securities which increased by CHF 102 million).

Total liabilities decreased by CHF 190 million to CHF 2 021 million as of December 31, 2015. This was mainly caused by a decrease of CHF 60 million in trade accounts payables as well as by a reduction of CHF 59 million in other current and accrued liabilities. The CHF 500 million bond was reclassified from non-current liabilities to current liabilities because it will mature in July 2016.

Equity decreased by CHF 208 million to CHF 2 234 million as a result of the net income of CHF 75 million, currency translation adjustments in the equity of CHF –154 million, and dividend payments to Sulzer shareholders of CHF –119 million.

See abbreviations on page 4.

Free cash flow strongly improved

Free cash flow amounted to CHF 155.8 million compared with CHF 98.0 million reported in the prior year. Excluding a positive CHF 25.4 million effect relating to the Sulzer Metco divestiture in 2014, free cash flow improved by CHF 83.2 million on a continuing operations basis. The lower net income contribution was more than offset by a better contribution from net working capital management of CHF 175 million, lower tax payments of CHF 25.3 million, and reduced capital expenditure of CHF 30.9 million.

Cash flow from investing activities totaled CHF –242.0 million compared with CHF 605.3 million in the prior year. In 2014, cash flow from investing activities was positively influenced by proceeds of CHF 870.4 million related to the Sulzer Metco divestiture. Excluding that effect, cash flow from investing activities was CHF 23.1 million above the prior year driven by CHF 30.9 million lower capital expenditures. Cash out for acquisitions amounted to CHF 70.1 million which was on a similar level as in 2014 (CHF 73.0 million).

Cash flow from financing activities totaled CHF –132.5 million. It included the increased dividend payment of CHF 119.2 million (CHF 3.50 per share) compared with CHF 108.9 million in 2014 (CHF 3.20 per share). The repayments of short-term borrowings reduced cash by CHF 16.5 million (2014: CHF 52.8 million). Exchange losses on cash were CHF 34.0 million, mainly related to the cash balances held in euros (2014: gain of CHF 19.7 million).

Outlook 2016

Sulzer has a balanced business mix, with half of its business outside the oil and gas market and the aftermarket business accounting for half of sales. However, the company expects continued low oil prices and high volatility throughout 2016 and beyond resulting in subdued demand and price pressure from its oil and gas customers. Given these market headwinds, Sulzer increases and accelerates cost savings from its ongoing SFP program. The company expects cost savings from the SFP program to be in the range of CHF 60 to 80 million in 2016 and total cost savings of approximately CHF 200 million in a steady state from 2018 onwards.

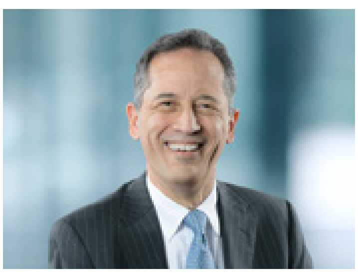
For the full year 2016, order intake and sales are expected to decline by 5 to 10%, adjusted for currency effects. Supported by the cost savings from the SFP program, Sulzer expects opEBITA margins of approximately 8% (opEBITA in percent of sales).

See abbreviations on page 4.

Order Intake Decreased—Manufacturing Capacities Streamlined

Order intake and sales decreased in 2015, impacted by low oil prices. Pumps Equipment reported a decline in operational EBITA and operational ROSA from the previous year. Sulzer streamlined the manufacturing capacities of its division, acquired Matis Interventions Sarl, and developed the innovative SNS process pump range.

“By introducing innovative products to the market, such as the new highly efficient SNS pump range, we will continue to serve the needs of our customers.”



César Montenegro,
Division President Pumps Equipment

Taking transformation one step further

In 2015, the company took its transformation one step further. Since January 2015, Pumps Equipment has been organized in three market-oriented business units (Oil and Gas, Power, and Water); a dedicated global aftermarket organization (Parts, Retrofit, and Nuclear Services; PRN); and a global operations network. This allows the division to serve customers in its end markets and regions even better. Because of the oil and gas market headwinds and in line with the Sulzer Full Potential program, Pumps Equipment streamlined its manufacturing capacities in Brazil, the USA, and China. The company decided to close its manufacturing plant in Brookshire, TX, USA, and its foundries in Jundiaí, Brazil, and Kotka, Finland.

In April, Sulzer acquired the French company Matis Interventions Sarl and strengthened its position in the nuclear business. In addition, the company completed its acquisition of Saudi Pump Factory. In September, Sulzer launched its innovative SNS process pump range. Developed for pumping applications in various industries, the new pumps excel in efficiency, reliability, and total cost of ownership. Moreover, Sulzer signed a three-year worldwide framework agreement with the French company Veolia Environnement. This makes Sulzer a preferred supplier across the entire Veolia operations for premium-efficiency submersible and dry well pumps, mixers, and dedicated services.

Decrease in order intake

Order intake decreased by 6.7% from the previous year, impacted by the significant drop in the oil and gas market demand. Projects were postponed to 2016 and beyond or cancelled. Strong growth in the power market—driven by India and the Middle East—and in the aftermarket (PRN) business partially offset this decline. While demand in the water market was stable, it was slightly higher in the general industry, driven by increased activity in the engineered water and pulp and paper segments. Order intake gross margin increased by 1.1 percentage points, supported by an improved business mix. Regionally speaking, Pumps Equipment reported moderate order intake growth in Europe, the Middle East, and Africa. Market activity slowed in the Asia-Pacific region, particularly in China, and in the Americas.

See abbreviations on page 4.

Slight decrease in sales — decrease in operational EBITA

Sales decreased slightly by 1.6% from the previous year. Growth in the power and the general industry markets as well as in the aftermarket (PRN) business partially compensated for the low volume and project suspensions in the oil and gas market. Operational EBITA decreased by 19.4%. This drop was due to market headwinds in the oil and gas industry, adverse transactional currency effects, an internal shift of expenses, and higher internal corporate charges. Adjusted for these items, operational ROSA would have been 8.6%.

Significant decrease of accident frequency and severity

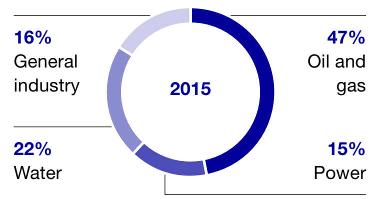
A working environment with a diverse workforce that includes factory workers, office personnel, and employees at customers' sites requires systematic safety management. In 2015, Pumps Equipment was able to decrease the frequency of its accidents (accident frequency rate; AFR) significantly by 38.5%. The severity of accidents (accident severity rate; ASR) was also significantly lower (–36.6%) than in 2014. These improvements can be credited to Sulzer's Safe Behavior Program (SBP). Read more about Sulzer's SBP on page 20.

Key figures Pumps Equipment

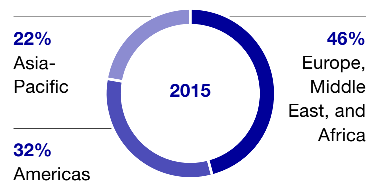
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	1 500.8	1 725.5	–13.0	–6.7
Order intake gross margin	34.2%	33.1%		
Order backlog	998.0	1 209.4	–17.5	
Sales	1 621.0	1 754.9	–7.6	–1.6
EBIT	62.8	–203.1		
opEBITA	118.1	160.6	–26.5	–19.4
opROSA	7.3%	9.2%		
opROCEA	15.8%	14.4%		
Employees (number of full-time equivalents) as of December 31	6 996	7 365	–5.0	

[1] Adjusted for currency effects.

Sales by market segments



Sales by regions



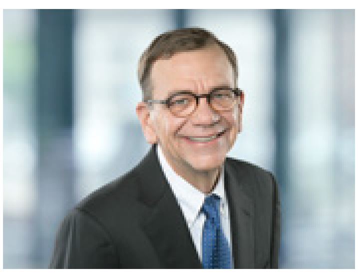
See abbreviations on page 4.

If not otherwise indicated, changes compared with the previous year are based on currency-adjusted figures.

Stable Order Intake—Strengthened Local Presence

While order intake remained stable, sales decreased slightly compared with 2014. Operational EBITA and operational ROSA improved. Sulzer further extended its service center network and acquired Precision Gas Turbine Inc. as well as Expert International Pompe Service.

"We are experiencing a challenging market environment across all our regions. To cope with these headwinds, we have introduced operational improvement and restructuring measures."



Peter Alexander, Division President Rotating Equipment Services

Extending offering and local presence through acquisitions

In 2015, Rotating Equipment Services continued to integrate services for rotating electrical and mechanical equipment. Hence, the division is able to offer service solutions from one access point. Furthermore, the company opened a new service center in Middlesbrough, UK. The market environment, especially across Europe, the Middle East, and Africa (EMEA), remained challenging. However, the company restructured service centers and improved operations in all three regions.

In April, Sulzer acquired the business of Precision Gas Turbine Inc., Plantation, FL, USA, and further extended its range of gas turbine services. Through the acquisition of Expert International Pompe Service (EIPS), Casablanca, Morocco, Sulzer expanded its footprint in North Africa. EIPS, now referred to as Sulzer Maroc, offers the full range of services for rotating equipment such as pumps, gas and steam turbines, compressors, generators, and electrical motors. With a global network and specialist expertise, Sulzer helps ensure that customers' assets remain in peak operating condition.

Stable order intake

Order intake remained stable in 2015. While order intake in the power market improved, it was lower in the oil and gas market. General industry remained flat. The low oil price led oil companies to impose strict cost-saving measures, delay maintenance services, and continue to run their equipment for longer periods of time. Order intake gross margin declined by 1.3 percentage points. Despite significant growth in Africa, overall activity in EMEA was slightly lower, mainly because of a weak European market. Therefore, Rotating Equipment Services has introduced various restructuring measures in EMEA. While demand in Asia-Pacific improved, activity in the Americas declined slightly from 2014. Higher demand in North America partially compensated for the difficult market environment in Latin America.

See abbreviations on page 4.

Sales slightly decreased — operational EBITA improved

Sales decreased slightly by 1.9%. This figure is based on weak performance in EMEA resulting from the low oil price and an unbalanced workload due to timing of large orders. Operational EBITA increased by 8.8% in 2015, mainly driven by a stronger US domestic market, an internal shift of costs, and strict cost control measures. Operational ROSA also improved.

Frequency of accidents decreased

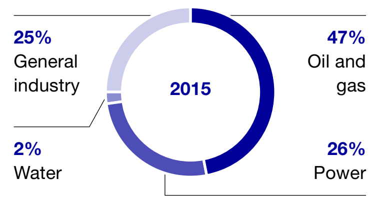
In 2015, the frequency of accidents (accident frequency rate; AFR) decreased by 13.8%. The company's safe behavior program (SBP), which focuses on minor and near-accident reporting as well as comprehensive root cause analysis, led to this improvement. The number of lost days per million working hours (accident severity rate; ASR) increased by 23.4%. This rise is less a result of severe accidents but is rather based on local legal restrictions (regarding temporary light-duty work assignments, which allow injured employees to return to work earlier). Please read more about the company's safety and health efforts on page 20.

Key figures Rotating Equipment Services

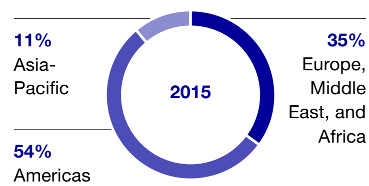
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	698.2	725.2	–3.7	–0.9
Order intake gross margin	30.5%	31.8%		
Order backlog	205.0	212.2	–3.4	
Sales	693.2	724.6	–4.3	–1.9
EBIT	51.4	65.1	–21.0	
opEBITA	70.8	64.5	9.8	8.8
opROSA	10.2%	8.9%		
opROCEA	16.8%	15.8%		
Employees (number of full-time equivalents) as of December 31	3538	3709	–4.6	

[1] Adjusted for currency effects.

Sales by market segments



Sales by regions



See abbreviations on page 4.

If not otherwise indicated, changes compared with the previous year are based on currency-adjusted figures.

Order Intake Slightly Increased — New Product Generation Introduced

Order intake increased slightly in 2015 compared with the previous year. Sales, operational EBITA, and operational ROSA decreased. Sulzer adapted the operational setup of Chemtech, acquired InterWeld Inc Ltd, and introduced a new high performance random packing generation.

"We took immediate actions and adapted our operational setup in 2015 to counter the market headwinds. These measures helped us keep our operational ROSA on a double-digit level."

Oliver Bailer,
Division President Chemtech

Setup adapted and new random packing generation introduced

Based on shrinking markets, increasing competition — particularly in China and Southeast Asia — and the strong Swiss franc, Sulzer adapted the operational setup of Chemtech. The company discontinued parts of its manufacturing activities in China, Singapore, Canada, and Switzerland.

In 2015, Sulzer acquired the business of InterWeld Inc Ltd, Belfast, Northern Ireland. This acquisition broadened the service portfolio of Chemtech with weld overlay solutions. To better serve customers' needs, Sulzer combined the Process Technology and Mass Transfer Technology business units of Chemtech to form the new Separation Technology business unit as of August 2015.

Sulzer introduced NeXRing™, a new random packing generation. Designed for use in all random packing applications, the new product provides significant benefits in efficiency and capacity over established random packing types (more on page 17). Furthermore, the division was awarded two long-term supply agreements to provide structured and random packings to all Petrobras refineries in Brazil.

Slight increase in order intake

Order intake increased slightly by 1.4% compared with the previous year. Orders in the oil and gas market remained stable, mainly based on a strong order intake from the Middle East in the Tower Field Services business unit. Demand in general industry dropped, mainly because the process technology business slightly decreased. The Sulzer Mixpac Systems business unit showed slight growth, despite the strong Swiss franc. Order intake gross margin declined by 0.1 percentage points. Regionally speaking, demand was stable in Europe and Africa, while the Middle East grew strongly. Excluding base effects, activity in the Americas was stable. The severe market downturn in the Asia-Pacific region — particularly in China — impacted Chemtech's order intake.

See abbreviations on page 4.

Decrease in sales and operational EBITA

Sales decreased by 7.8% compared with the previous year. The difficult market environment in China accounted for decreasing sales in the Separation Technology business unit. Operational EBITA dropped by 25.5%, mainly due to weak performance in China. Operational ROSA also declined, but still remained on a double-digit level.

Improved safety performance clouded by fatality

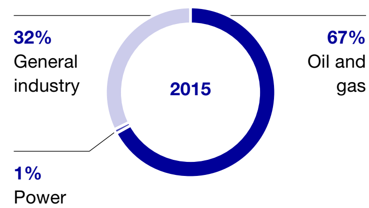
The Chemtech division lowered its accident frequency rate (AFR) significantly by 9.5%. However, this performance was clouded by a fatality; one employee died in an occupational accident while working at a client's site. Sulzer is profoundly dismayed by this fatality. Investigations to understand the root causes are ongoing. This accident led to an increase of the accident severity rate (ASR) by 18.0%. Please read more about the company's safety and health efforts on page 20.

Key figures Chemtech

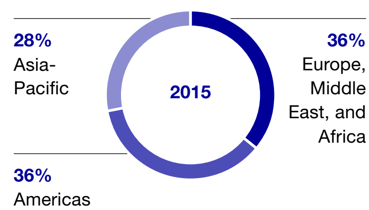
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	708.9	718.4	–1.3	1.4
Order intake gross margin	35.6%	35.7%		
Order backlog	307.7	282.0	9.1	
Sales	669.6	741.5	–9.7	–7.8
EBIT	33.5	78.4	–57.3	
opEBITA	67.4	93.6	–28.0	–25.5
opROSA	10.1%	12.6%		
opROCEA	16.6%	27.3%		
Employees (number of full-time equivalents) as of December 31	3539	4287	–17.4	

[1] Adjusted for currency effects.

Sales by market segments



Sales by regions



See abbreviations on page 4.

If not otherwise indicated, changes compared with the previous year are based on currency-adjusted figures.

Embedding Sustainability in Daily Business

Sulzer wants to do business responsibly. The company embeds its sustainability activities in daily business and sets up suitable management frameworks, systems, and processes.

Vision

Our customers recognize us for our leading technologies and services as well as for delivering innovative and sustainable solutions.

Values

- Customer Partnership: We exceed the expectations of our customers with innovative and competitive solutions.
- Operational Excellence: We perform on the basis of structured work processes and LEAN principles.
- Committed People: We are committed to high standards and show respect for people.

Strategic priorities

- Technology leadership
- Outstanding services
- Continuous operational improvement
- Collaborative advantage

The global QESH (Quality, Environment, Safety, and Health) network and functional councils such as HR, Legal and Compliance, and a global Procurement organization drive the sustainability agenda at Sulzer. The group function ESH is in charge of company-wide environment, safety, and health management, which includes defining and implementing ESH standards and initiatives. To ensure quality (Q) management is close to the business, it is carried out on a divisional and a local level.

Global functional coordination teams are responsible for the information transfer and collaboration between the group and divisional functions. The QESH officers consult with line management on QESH topics, establish local organizations, and conduct regular training workshops.

Complying with international laws and standards

As an international company, Sulzer complies with international and national hard law as well as soft law. The company applies the OECD Guidelines for Multinational Enterprises, the United Nations' Universal Declaration of Human Rights and its protocols, the UN Global Compact (UNGC), and the ILO's Declaration on Fundamental Principles and Rights at Work of 1998. Furthermore, the company participates in the Greenhouse Gas (GHG) Protocol and the Carbon Disclosure Project (CDP).

Sulzer's integrated management system is based on global standards and norms. All manufacturing and service activities are performed under the issued certificates ISO 9001, ISO 14001, and OHSAS 18001 and/or SCC. Due to the discontinuation of locations, the rate of certified sites decreased in 2015. However, it remained high; in total, 85% of all sites have earned the ISO 9001; 65% the ISO 14001; and 74% the OHSAS 18001/SCC. The company conducts internal and external QESH audits regularly to ensure legal compliance and compliance with Sulzer's internal standards and programs. In 2015, 28 Sulzer QESH and external health and safety audits were completed (2014: 18).

LEAN and safe behavior

Two of the cornerstones of its sustainability efforts are Sulzer's Safe Behavior Program (SBP, read more on page 20) and Sulzer LEAN. While SBP focuses on implementing a preventive safety culture, the LEAN initiative has the goal of creating value for customers and other stakeholders by reducing waste of all kinds (e.g., overproduction, unnecessary transport, defects, excess inventory, and more).

Fair and transparent reporting

Sulzer collects data systematically and continues to report on its financial as well as extrafinancial performance. The centralized reporting platform provides an integrated approach for group-wide reporting across functions. The data is generated and collected on the site level. As a reference, the number of total working hours is used. Overall, 85% of total working hours report on environmental data. The coverage of occupational health and safety data is 86% (of total working hours); 100% (of total working hours) report on HR data. Extrafinancial data is collected according to two different reporting cycles: Environmental data cover the reporting period October 1, 2014 to September 30, 2015. The reporting cycle for the health and safety indicators AFR and ASR as well as HR data is the financial calendar year, i.e., January 1, 2015 to December 31, 2015. During the internal Sulzer audits, the ESH team reviews environmental data critically in coordination with the audited site to ensure accurate reporting of the figures.

Observing Global Trends — Providing Innovative Solutions

Global megatrends and their effects force society to think about new technological solutions. Sulzer helps manage the ever-increasing demands of a globalized world with its innovative products and services.

Today's technology is already partially able to mitigate negative consequences of climate change. To foster this development, companies must reshape themselves as well as their products and services continuously. In 2015, Sulzer invested CHF 73.4 million in research and development (2014: CHF 76.2 million). This equals 2.5% relative to sales (2014: 2.4% of sales). In total, the company filed 30 patents in 2015.

Providing pumps for solar project in China

Environment-friendly technology is on the rise. In China, CGN Delingha Solar Energy Co. Ltd launched the first 50 MW solar thermal power project. The plant will consist of a concentrated solar thermal power (CSP) system, which uses pumps to circulate the heat transfer fluid (HTF). Sulzer has successfully supplied various pumps for such critical HTF applications to CSP plants in Spain, USA, India, Morocco, and South Africa. Therefore, the Chinese customer trusted Sulzer with the order of the heat-transfer-circulation pumps and additional equipment. Sulzer provided an efficient, economical, and competitive solution to CGN Delingha. Since this is the first 50 MW CSP project in China, it will help to position Sulzer for future solar thermal power projects in China.

Adapting to customer needs

In Eastern European oilfields, several thousand pumps are installed. Most of them are relatively old and in need of overhauls. A competitor challenged Sulzer's retrofit business by offering low-end and low-price pumps with acceptable but rapidly decreasing efficiency levels. Further, they showed rather unsatisfactory quality and reliability compared with industry standards. To offer an alternative to its premium, engineered retrofits, Sulzer has developed cost- and time-efficient standardized retrofit solutions. The upgraded pumps are as efficient as competitors' pumps, however, their efficiency is stable and their reliability does not decrease over time. Sulzer offers the standard retrofits at an even more competitive price than the original low-end pumps. A further advantage is reduced lead time; the retrofits can be installed within one to three months.

Increasing output of hydrogenerator by 15%

Because much of the UK hydroelectric capacity was built during the 1950s, the time for large-scale overhauls and refurbishments is rapidly approaching. Sulzer's Service Center in Falkirk, Scotland, was awarded a turnkey project to repair one of two generators at the Lochay Power Station, near Stirling, Scotland. One of the generators — commissioned in 1958 — started to exhibit some noise and vibration issues. Sulzer refurbished the hydrogenerator and was able to increase the overall output by 15% (from 22 MW to 25.6 MW). Furthermore, the engineers extended the generator's working life for another 40 years.

Combining capacity, efficiency, and strength

Reducing emissions has become an important means of mitigating climate change. To purify natural gas and absorb CO_2, separation columns can use either a random or a structured packing. Sulzer has developed NeXRing™, a new generation of high-performance random packing. This new product provides an industry-leading combination of capacity, efficiency, and strength. The open structure of the random packing design lowers the pressure drop by 50% from that of conventional packing. The first test results are promising; the capacity of a CO_2 absorber increased by 10% after the conventional random packing was replaced with NeXRing. Furthermore, the combination of more efficient separation with lower pressure drop translates into significant cost savings.

"Every solution starts with a customer's need. By observing the markets closely and addressing global megatrends, we set the foundation for our innovative technology."

Ralf Gerdes,
Head Global Technology

Number of patents

30

(2014: 36)

R&D investments

CHF 73m

(2.5% of sales)
(2014: CHF 76m/2.4% of sales)

Improving Environmental Performance with Local Initiatives

To reduce its environmental footprint, Sulzer's production and service sites carry out local initiatives based on mandatory ISO 14001 certifications. In 2015, the company further extended its environmental reporting scope. While energy consumption remained stable, greenhouse gas emissions, waste production, and water consumption decreased.

"ISO 14001 helps Sulzer continually improve its ecological performance in a diverse production and service environment."

Daniel Oehler,
Head of Group Environment, Safety, and Health

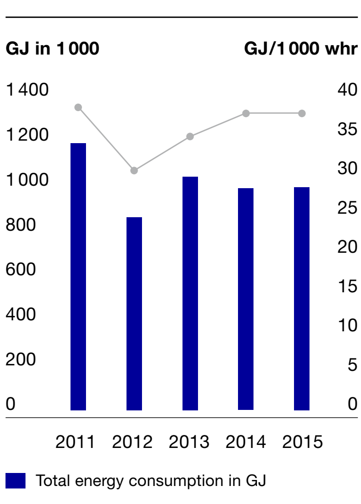
Sulzer aims to reduce its environmental footprint systematically. Decreasing energy consumption, greenhouse gas (GHG) emissions, production of waste, and water consumption are the company's focus areas. To achieve this goal, local sites have improvement programs in place. Moreover, the company adjusted the reporting requirements for fuel consumption in 2015 and expanded it from on-site transportation to all vehicles operated by Sulzer. This measure will further increase the quality of the company's environmental data.

Changes in the energy mix

The changed reporting requirements resulted in a modified energy mix. Total energy consumption remained stable in 2015. The use of electricity, fuel oils, and district heating decreased by 8%. Both gas and fuel consumption increased by 1% and 93%, respectively. Sulzer has a rolling year-on-year target to maintain or lower energy consumption per 1 000 working hours. The company has met this target. The energy consumption per 1 000 working hours remained stable in 2015.

In 2016, the company plans to conduct a pilot project in one of the divisions to reduce the energy consumption of its car fleet. In addition, Sulzer's QESH (Quality, Environment, Safety, and Health) network will continue to focus on sharing best practices regarding energy-reducing measures. In this way, the company strives to keep its energy use stable or to lower it from last year's level.

Energy consumption



Decrease of greenhouse gas emissions

Sulzer reports greenhouse gas (GHG) emissions (scopes 1, 2, and 3[1)]) according to the Greenhouse Gas Protocol and the Carbon Disclosure Project (CDP) initiative. To meet current reporting practices, the company updated scope 1 reporting fundamentally by introducing new CO_2 emission factors in 2015. These factors will be reviewed and updated each year.

In 2015, scope 1 emissions, which predominantly stem from the use of fossil energy sources, increased by 5%. The increase of emissions from fuel consumption because of the changed reporting requirements was partially offset by the strong decrease of direct emissions from chemicals (refrigerants). Scope 2 and 3 emissions decreased by 7% and 5%, respectively. Both improvements stem from changes in the country-specific energy mixes. With a decrease of 5% in 2015, Sulzer met its year-on-year rolling target to maintain or reduce GHG emissions in CO_2 eq. per 1 000 working hours. In the short term, the planned pilot projects mentioned above to reduce fuel consumption will affect the amount of CO_2 emissions. To further improve the accuracy of its reporting, the company intends to expand its GHG reporting to business flights in 2016.

Avoiding, reusing, and recycling waste

At Sulzer, waste is usually managed locally as part of ISO-14001-certified environmental management systems. To decrease industrial waste, Sulzer follows the principle "avoid, reuse, and recycle". Waste quantities vary typically from year to year and depend strongly on the type of projects conducted as well as on construction work done at Sulzer. The company evaluates waste production in two ways: by looking into the waste's hazardousness, and by considering its treatment. Generally, recycling rates are comparatively high at Sulzer because of the materials used: metals, sandblasting residues, and foundry residues are fairly easy to recycle.

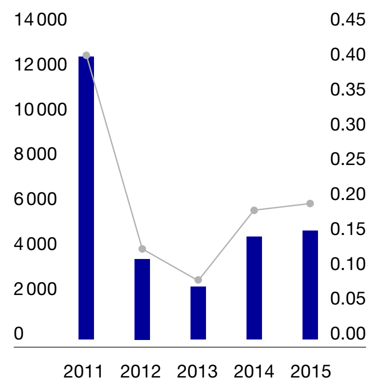
In 2015, total waste decreased by 5%. With a decrease of waste produced by 6% per 1 000 working hours, Sulzer met its year-on-year rolling target to maintain or reduce waste quantities (per 1 000 working hours) compared with last year's values. In 2016, the company plans to conduct pilot projects with a zero waste policy at selected sites. It aims to improve the amount of recycling by sharing best practices about waste management.

Decrease of water consumption

Sulzer collects data on the water consumption and discharge of its operations. To shrink its organizational water footprint, the company focuses primarily on reducing water consumption. For Sulzer as a manufacturer of pumps for the water market, water risks are market related and — to a much lesser extent — related to operations.

Overall, water consumption decreased by 17% in 2015. While 37% of the water used was for cooling purposes, 35% was process water. The consumption by m³/1 000 working hours decreased by 17%. So, the year-on-year rolling target to maintain or reduce the water consumption per 1 000 working hours was met.

Hazardous waste



Key figures

		2015	2014	Change in +/– %
Energy	**GJ**	**970 832**	**965 814**	**0.5**
— Energy consumption per working hours (whr)	GJ per 1 000 whr	37	37	
— Share of electricity	%	55	60	–9
— Share of gases	%	24	24	1
— Share of fuels	%	12	6	93
— Share of fuel oils	%	2	2	–11
— Share of district heating	%	7	7	–10
— Share of other sources	%	< 1	1	4
Greenhouse gas emissions	**tons CO_2 eq.**	**105 960**	**110 820**	**–4**
— GHG emissions per working hours	tons CO_2 eq. per 1 000 whr	4.06	4.28	–5
— GHG scope 1[1)]	tons CO_2 eq.	20 560	19 550	5
— GHG scope 2[1)]	tons CO_2 eq.	66 290	71 210	–7
— GHG scope 3[1)]	tons CO_2 eq.	19 110	20 060	–5
Waste	**tons**	**29 071**	**30 666**	**–5**
— Waste per working hours	tons per 1 000 whr	1.1	1.2	–6
By treatment				
— Recycling	%	66	66	
— Waste to landfill/incineration/other treatment	%	34	34	
By hazardousness				
— Non-hazardous waste	%	84	85	
— Hazardous waste	%	16	15	
Water	**m³**	**1 311 922**	**1 581 631**	**–17**
— Water consumption per working hours	m³ per 1 000 whr	50	61	–17

[1)] Scope 1: direct emissions from Sulzer stemming from primary energy sources such as natural gas and fuels used on-site; scope 2: indirect emissions from secondary (converted) energy sources such as electricity and district heating; scope 3: indirect emissions from the production and transport of fuels and gases not included in scopes 1 or 2.

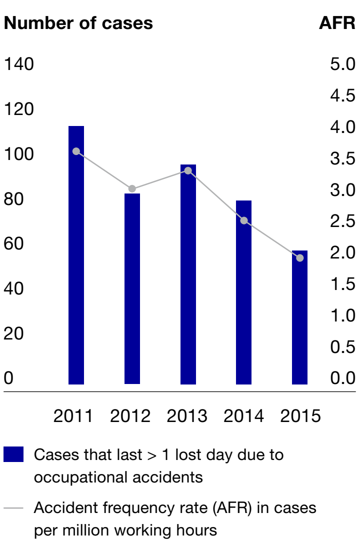
Find further sustainability data at www.sulzer.com/sustainability

Safe Behavior and Targeted Talent Promotion

The company focuses on providing a healthy and safe work environment for its roughly 14 000 employees in over 40 countries. To achieve sustainable business success, Sulzer offers learning and development opportunities as well as tools that enable cooperation and respectful behavior.

As an industrial company with over 170 locations around the world, Sulzer considers the health and safety of its employees as an essential asset. Because people work in different surroundings such as offices, factories, and at customers' sites, the safety risks are manifold and — in part — difficult to control. Employees need to feel responsible for their own safety as well as the safety of their colleagues.

Accidents



Empowering employees to act safely

Sulzer's global Safe Behavior Program (SBP) is designed to foster a team-oriented approach to safety. It focuses on developing safety leadership as well as employee empowerment. Thanks to the efforts within the SBP, Sulzer reached an accident frequency rate (AFR) below two cases per million working hours — the lowest AFR ever in its history. In general, Sulzer continued to decrease the severity of its accidents (measured by accident severity rate; ASR). To improve the effectiveness of the SBP, Sulzer instigated the Safety Culture Assessment program. In 2015, almost all Sulzer sites were visited by independent safety experts. They analyzed the maturity of the local safety culture and provided direct guidance on how to further improve safety management systems and leadership competence.

Despite the company's efforts, a total of 57 major accidents happened at Sulzer in 2015, resulting in 1 444 lost working days. One employee died in an occupational accident while working at a client's site. Sulzer is profoundly dismayed by this fatality. Investigations to understand the root causes are ongoing. Sulzer remains committed to pursuing its ultimate goal of zero accidents.

To address a subject which is central to safety excellence, Sulzer launched a pilot program aimed at raising safety leadership and risk competence skills at the managerial level in 2015. Beginning in Asia and progressing to Europe, over 100 senior and mid-level managers participated in a series of workshops. These are designed to increase the managers' ability to engage the workforce more proactively and with greater consistency in safety. Because safety excellence depends on the abilities of all members of a team, Sulzer plans to develop further trainings and workshops to enhance safety competence at all levels.

Local initiatives to balance work and free time

Sulzer is aware that work-life balance, personal development, and flexibility are becoming more and more important in a job. Thus, the company supports local sites in offering opportunities in this field. For example, Chemtech's CT Balance program is designed to improve health and work-life balance. It involves numerous events, campaigns, and workshops that are individually designed and adapted to the needs of local staff. Another initiative is the Work Positive program launched by the Pumps Equipment site in Wexford, Ireland, in 2015. The platform includes guidelines and literature as well as on-site training in stress management and improving work-life balance.

Training leaders with targeted programs

For employees to live out the *one* company approach, learning processes have to be aligned. Thus, Sulzer's training efforts focus on developing a common business understanding and fostering collaboration across borders.

The company specifically trains its leaders to lead by example. The Sulzer Management Training (SMT) imparts management basics as well as current leadership topics to executives who are new in their roles. The program has been rolled out globally and supports the company's strategic goals and its ongoing reorganization. More than 60 participants in all three regions passed the SMT in 2015. Leaders who aim to develop their individual capabilities and to reach a new leadership level can participate in the Leadership Program for Development and Impact (PDI). In 2015, 75 managers and experts participated in one of the PDI. Thanks to its efforts, Sulzer filled 60% of leadership positions with internal talent in 2015.

Sulzer's learning and development programs comprise different learning methodologies and concepts, including new media. Employees are able to adapt these technologies in their own business environment. The Learning Management System (LMS), a cloud-based platform for training and development administration, supports them in this regard. The company has completed the implementation of the LMS in the entire Pumps Equipment division and will continue to introduce it throughout the company.

"Achieving the best safety result in our company history makes us proud of our employees. It shows that they feel responsible and take their own and their colleagues' safety seriously."

Andreas Hugener,
Head Group Human Resources a.i.

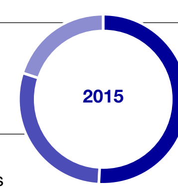
Facilitated processes thanks to global eHR tool

Efficient human resources (HR) management is becoming an important competitive factor. In recent years, Sulzer has implemented an electronic human resources (eHR) management platform. Currently, it contains information on more than 7 500 employees, secures the data centrally, and enables access from all local sites. The eHR application grants access to all global and local training workshops across the company. It allows HR processes such as recruiting, performance management, succession, or competency to be performed online. In the years to come, Sulzer will focus on further rolling out the application globally. With its venture into eHR, the company is ahead of many competitors and is well-equipped for the future.

Embracing different backgrounds

At Sulzer, employees collaborate across borders — geographic, cultural, and demographic ones. The company's workforce is geographically spread all over the world. Both Sulzer and its customers benefit from this proximity. Sulzer also appreciates age differences and welcomes fresh impetus; experienced employees work closely with apprentices and younger professionals to embrace different viewpoints. In 2015, 14.5% of the company's workforce was female. Close collaboration with academic institutions enables Sulzer to attract talented young women and men.

Geographical spread of employees



Code of Business Conduct guiding all behavior

Sulzer shows respect for every individual's fundamental rights and supports human rights throughout its value chain. The company's strong vision and values, its Code of Business Conduct, and its efficient compliance system guide employees on responsible and ethically correct behavior. The company continuously increases its efforts to ensure a fair, non-discriminatory, and safe work environment.

Key figures

		2015	2014	Change in +/– %
Accident frequency rate (AFR)	Cases per million working hours	1.9	2.6	–24.0
Accident severity rate (ASR)	Lost days per million working hours	48.1	53.9	–10.8
Health and safety training	hours	106 610	81 768	30.4
Voluntary attrition rate	%	7.5	7.2	0.3
Share of women (of total workforce)	%	14.5	14.0	0.5
Leaders from internal talent pipeline	%	60	89	–29.0
Number of employees	FTE	14 253	15 494	–8.0

Find further sustainability data at www.sulzer.com/sustainability

Dams and hydroelectric plants, such as the one in Mooserboden, Austria, serve to satisfy the greater energy demand. Sulzer's global footprint enables the company to address megatrends around the world and to be close to its customers.

Global footprint

Americas
Sulzer operates in eight countries of North, Central, and South America. More than 4000 employees are spread across the continent and close to the company's customer base. Sulzer is most present in the USA and Brazil.

Europe, Middle East, and Africa
Sulzer's footprint in Europe, Middle East, and Africa (EMEA) comprises production and service locations in 26 countries. In total, over 6500 employees work in EMEA. It is Sulzer's largest region, not only in terms of locations and employees but also in terms of order intake and sales.

Asia-Pacific
In Asia-Pacific, Sulzer is present in ten countries. The company employs more than 3500 workers in this region. The production and engineering network is spread across the region. In addition to the EMEA region and the Americas, research and development activities are also carried out in Singapore and Shanghai.

Consolidated income statement

January 1 – December 31

millions of CHF	Notes		2015		2014
Continuing operations					
Sales	07		2971.0		3212.1
Cost of goods sold			−2060.9		−2202.2
Gross profit			**910.1**		**1009.9**
— Selling and distribution expenses		−303.9		−334.3	
— Impairment on goodwill		–		−340.0	
Total selling and distribution expenses		−303.9	−303.9	−674.3	−674.3
General and administrative expenses			−348.2		−331.0
Research and development expenses	10		−73.4		−76.2
Other operating income and expenses, net	11		−63.7		2.6
Operating income			**120.9**		**−69.0**
Interest and securities income	12		6.5		6.8
Interest expenses	12		−27.9		−21.2
Other financial income and expenses, net	12		−3.3		−2.3
Share of profit/(loss) of associates	16		3.7		–
Income before income tax expenses			**99.9**		**−85.7**
Income tax expenses	13		−24.9		−71.9
Net income from continuing operations			**75.0**		**−157.6**
Discontinued operations					
Net income from discontinued operations, net of income taxes	05		–		435.7
Net income			**75.0**		**278.1**
Attributable to shareholders of Sulzer Ltd			73.9		275.0
Attributable to non-controlling interests			1.1		3.1
Earnings per share (in CHF)					
Basic earnings per share	25		2.17		8.09
Diluted earnings per share	25		2.16		8.05
Continuing operations (in CHF)					
Basic earnings per share continuing operations	25		2.17		−4.72
Diluted earnings per share continuing operations	25		2.16		−4.70
Discontinued operations (in CHF)					
Basic earnings per share discontinued operations	25		–		12.81
Diluted earnings per share discontinued operations	25		–		12.75

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2015	2014
Net income		**75.0**	**278.1**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	29	–3.5	–8.0
Reclassification to the income statement of foreign currency translation difference relating to the disposal of Metco		–	59.1
Currency translation differences		–154.4	17.6
Total of items that may be reclassified subsequently to the income statement		**–157.9**	**68.7**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax	09	–13.1	–137.9
Total of items that will not be reclassified to the income statement		**–13.1**	**–137.9**
Total other comprehensive income		**–171.0**	**–69.2**
Total comprehensive income for the year		**–96.0**	**208.9**
Attributable to shareholders of Sulzer Ltd		–96.6	205.4
Attributable to non-controlling interests		0.6	3.5

Consolidated balance sheet
December 31

millions of CHF	Notes	2015	2014[1]
Non-current assets			
Goodwill	14	679.8	693.7
Other intangible assets	14	246.4	305.0
Property, plant, and equipment	15	491.4	530.7
Associates	16	4.0	2.5
Other financial assets	17	11.6	11.9
Non-current receivables		7.1	11.3
Deferred income tax assets	13	133.7	126.8
Total non-current assets		**1 574.0**	**1 681.9**
Current assets			
Inventories	18	409.3	487.5
Advance payments to suppliers		79.8	79.0
Trade accounts receivable	20	851.1	955.9
Other accounts receivable and prepaid expenses	21	123.3	147.2
Marketable securities	23	208.3	106.8
Cash and cash equivalents	22	1 009.0	1 194.7
Total current assets		**2 680.8**	**2 971.1**
Total assets		**4 254.8**	**4 653.0**
Equity			
Share capital	24	0.3	0.3
Reserves		2 224.4	2 435.1
Equity attributable to shareholders of Sulzer Ltd		**2 224.7**	**2 435.4**
Non-controlling interest		9.5	6.6
Total equity		**2 234.2**	**2 442.0**
Non-current liabilities			
Non-current borrowings	26	7.2	510.3
Deferred income tax liabilities	13	69.4	91.2
Non-current income tax liabilities	13	2.6	2.6
Defined benefit obligations	9	294.8	280.9
Non-current provisions	27	73.5	71.3
Other non-current liabilities		24.6	38.2
Total non-current liabilities		**472.1**	**994.5**
Current liabilities			
Current borrowings	26	514.4	17.7
Current income tax liabilities	13	9.9	32.4
Current provisions	27	137.3	147.7
Trade accounts payable		323.8	383.6
Advance payments from customers		197.5	210.9
Other current and accrued liabilities	28	365.6	424.2
Total current liabilities		**1 548.5**	**1 216.5**
Total liabilities		**2 020.6**	**2 211.0**
Total equity and liabilities		**4 254.8**	**4 653.0**

1) The balance sheet as of December 31, 2014 has been restated following the finalization of the valuation of the net assets acquired related to acquisitions in 2014. A reconciliation to the previously published balance sheet is provided in note 5 in the Annual Report 2015.

Consolidated statement of changes in equity
January 1 – December 31

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	Total	Non-controlling interests	Total equity
Equity as of January 1, 2014		**0.3**	**2 691.1**	**–26.9**	**2.3**	**–332.4**	**2 334.4**	**6.3**	**2 340.7**
Comprehensive income for the year:									
Net income			275.0				275.0	3.1	278.1
— Cash flow hedges, net of tax	29				–8.0		–8.0		–8.0
— Remeasurements of defined benefit obligations, net of tax	09		–137.9				–137.9		–137.9
— Currency translation differences						76.3	76.3	0.4	76.7
Other comprehensive income			–137.9		–8.0	76.3	–69.6	0.4	–69.2
Total comprehensive income for the year		**–**	**137.1**	**–**	**–8.0**	**76.3**	**205.4**	**3.5**	**208.9**
Transactions with owners of the company:									
Transactions in treasury shares			–6.3	3.5			–2.8		–2.8
Share-based payments, net of tax	32		8.0				8.0		8.0
Dividends			–109.6				–109.6	–2.6	–112.2
Change in scope of consolidation							–	–0.6	–0.6
Equity as of December 31, 2014	24	**0.3**	**2 720.3**	**–23.4**	**–5.7**	**–256.1**	**2 435.4**	**6.6**	**2 442.0**
Comprehensive income for the year:									
Net income			73.9				73.9	1.1	75.0
— Cash flow hedges, net of tax	29				–3.5		–3.5		–3.5
— Remeasurements of defined benefit obligations, net of tax	09		–13.1				–13.1		–13.1
— Currency translation differences						–153.9	–153.9	–0.5	–154.4
Other comprehensive income			–13.1		–3.5	–153.9	–170.5	–0.5	–171.0
Total comprehensive income for the year		**–**	**60.8**	**–**	**–3.5**	**–153.9**	**–96.6**	**0.6**	**–96.0**
Transactions with owners of the company:									
Changes in ownership in subsidiaries			–1.8				–1.8	0.9	–0.9
Transactions in treasury shares			–7.0	5.6			–1.4		–1.4
Share-based payments, net of tax	32		8.3				8.3		8.3
Dividends			–119.2				–119.2	–1.9	–121.1
Change in scope of consolidation							–	3.3	3.3
Equity as of December 31, 2015	24	**0.3**	**2 661.4**	**–17.8**	**–9.2**	**–410.0**	**2 224.7**	**9.5**	**2 234.2**

Consolidated statement of cash flows
January 1–December 31

millions of CHF	Notes	2015	2014
Cash and cash equivalents as of January 1		**1 194.7**	**549.9**
Net income		75.0	278.1
Interest and securities income	12	−6.5	−6.9
Interest expenses	12	27.9	21.6
Income tax expenses	13	24.9	81.0
Depreciation, amortization, and impairments	14/15	129.4	463.2
Income from disposals of subsidiaries; property, plant, and equipment; and financial instruments		−0.1	−423.5
Changes in inventories		49.6	−45.2
Changes in advance payments to suppliers		−4.2	10.5
Changes in trade accounts receivable		32.6	−46.3
Changes in advance payments from customers		3.9	−65.1
Changes in trade accounts payable		−33.4	20.0
Change in provision for employee benefit plans		9.4	−8.6
Changes in provisions		3.2	0.9
Changes in other net current assets		0.6	6.4
Other non-cash items		−2.1	3.6
Interest received		6.4	6.7
Interest paid		−20.4	−16.5
Income tax paid		−73.4	−98.7
Total cash flow from operating activities		**222.8**	**181.2**
Purchase of intangible assets		−2.1	−5.6
Purchase of property, plant, and equipment		−71.6	−99.0
Sale of property, plant, and equipment		6.7	21.4
Acquisitions of subsidiaries, net of cash acquired	05	−70.1	−73.0
Acquisitions of associates		–	−2.3
Divestitures of subsidiaries	05	0.2	870.4
Purchase of financial assets		−0.5	−0.1
Sale of financial assets		–	0.1
Purchase of marketable securities		−253.6	−106.6
Sale of marketable securities		149.0	–
Total cash flow from investing activities		**−242.0**	**605.3**
Dividend		−119.2	−108.9
Purchase of treasury shares		−3.5	−3.6
Sale of treasury shares		2.1	–
Dividend paid to non-controlling interests		−1.9	−2.6
Changes in non-controlling interests		−0.1	–
Additions in non-current borrowings		0.6	2.1
Repayment of non-current borrowings		−0.4	−1.9
Additions in current borrowings		6.4	6.3
Repayment of current borrowings		−16.5	−52.8
Total cash flow from financing activities		**−132.5**	**−161.4**
Exchange gains/losses on cash and cash equivalents		−34.0	19.7
Net change in cash and cash equivalents		**−185.7**	**644.8**
Cash and cash equivalents as of December 31	22	**1 009.0**	**1 194.7**

Imprint

Published by:
Sulzer Ltd, Winterthur, Switzerland,

Concept/Layout:
wirDesign, Berlin Braunschweig,
Germany

Photographs:
Getty Images (cover, back cover/
pages 22–23);
Corbis (cover, back cover);
Geri Krischker, Zurich, Switzerland
(pages 5/10/12/14)

Printing:
Kunst- und Werbedruck,
Bad Oeynhausen, Germany

The Sulzer Annual Report 2015 is available in English and in German, at www.sulzer.com/AR15, and as printed version. The original version is in English. This summary is available in English and in German.

This report is printed in a climate-neutral process on Forest Stewardship Council (FSC) certified paper.

MIX
Paper from
responsible sources
FSC® C011291
www.fsc.org

carbon neutral
natureOffice.com | DE-149-106702
print production

Sulzer Ltd
8401 Winterthur
Switzerland
Phone +41 52 262 11 22
Fax +41 52 262 01 01

www.sulzer.com