



Customer
partnership

Sulzer is a global partner with reliable and sustainable solutions for performance-critical applications.

We specialize in pumping solutions, surface technology, separation, reaction, and mixing technology, as well as rotating equipment maintenance. Combining engineering and application expertise, our innovative solutions add value and strengthen the competitive position of our customers.

Sulzer is a leading provider in its key markets: oil and gas, power, water, and transportation. We serve clients worldwide through a network of over 170 locations.

Our key markets



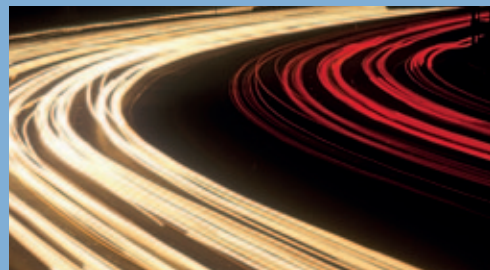
Oil and gas



Power



Water



Transportation

Record sales and double-digit profitability

Order intake increased to over CHF 4 billion and sales reached a record high. Profitability remained stable on a double-digit level. An increased dividend of CHF 3.20 per share will be proposed.

Sales CHF 4022m (2011: CHF 3578m)	Operating income CHF 410m (2011: CHF 364m)
Net income¹⁾ CHF 307m (2011: CHF 280m)	Dividend CHF 3.20 (proposed) (2011: CHF 3.00)

¹⁾ Attributable to shareholders of Sulzer Ltd.

- Order intake increased to over CHF 4 billion and sales reached a record high, driven by the major acquisition and organic growth
- Profitability remained stable on a double-digit level despite acquisition-related charges. Free cash flow substantially increased to CHF 348 million
- Sulzer continued to focus on customer orientation and profitable growth by introducing four new strategic priorities: technology leadership, outstanding services, continuous operational improvement, and collaborative advantage
- The global production and service network was further strengthened with new locations in Brazil, China, Colombia, Russia, Singapore, South Korea, and Sweden
- For 2013, moderate growth is expected for order intake and sales, and profitability is forecast to increase slightly. Sulzer's midrange targets remain unchanged
- Based on a strong financial performance the Board of Directors is proposing an increased dividend of CHF 3.20 per share

Market leaders with innovative and sustainable solutions

The Sulzer divisions are leading players in selected industries. Combining engineering and application expertise, their sustainable solutions add value and strengthen the competitive position of Sulzer's customers.

Sulzer Pumps



We offer pumping solutions and related equipment and services. Customers benefit from intensive research and development in fluid dynamics, process-oriented products, and reliable services. Our global manufacturing and service network ensures high customer proximity.

Sales
CHF **2 098m**
(2011: CHF 1 748m)

Operating income
CHF **191m**
(2011: CHF 168m)

Sulzer Metco



We enhance surfaces with coating solutions and equipment. Customers benefit from a uniquely broad range of surface technologies, coating solutions, equipment, materials, and services, as well as specialized machining services and components. Our innovative solutions improve performance and increase efficiency and reliability.

Sales
CHF **690m**
(2011: CHF 667m)

Operating income
CHF **69m**
(2011: CHF 69m)

Sulzer Chemtech



We offer products and services for separation, reaction, and mixing technology. Customers benefit from advanced solutions in the fields of process technology and separation equipment, as well as two-component mixing and dispensing systems. Our global footprint ensures local knowledge and competence.

Sales
CHF **725m**
(2011: CHF 667m)

Operating income
CHF **71m**
(2011: CHF 63m)

Sulzer Turbo Services



We offer repair and maintenance services for turbomachinery, generators, and motors. Customers benefit from reliable and efficient repair and maintenance services for gas and steam turbines, compressors, motors, and generators of any brand. Our global network ensures high-quality local service.

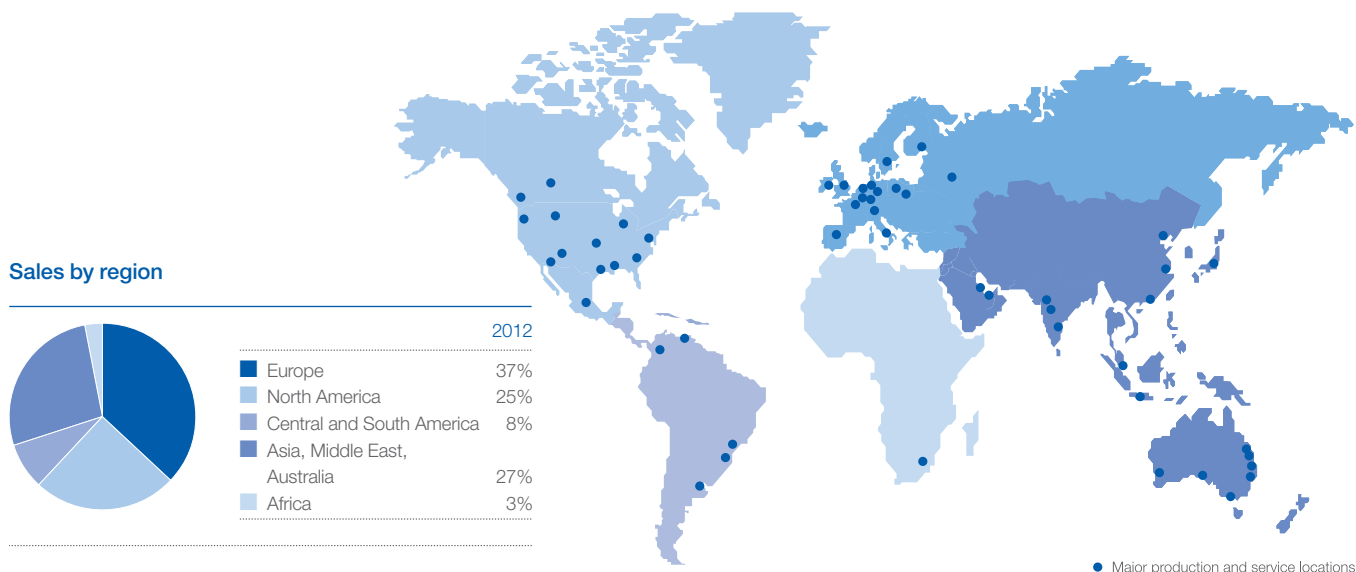
Sales
CHF **511m**
(2011: CHF 488m)

Operating income
CHF **55m**
(2011: CHF 53m)

We are where our customers are

Our customer proximity is essential to our understanding of customers' businesses and challenges. Thanks to our production and service network of over 170 locations worldwide, we are where our customers are.

Sulzer's production and service network



Market segments

	Oil and gas	Power	Water	Transportation	Other industrial markets
Share of sales 2012	40%	15%	12%	9%	24%
Sulzer Pumps	●	●	●		●
Sulzer Metco	●	●		●	●
Sulzer Chemtech	●	●		●	●
Sulzer Turbo Services	●	●	●	●	●

- Greater than 10% of divisional sales.
- Less than 10% of divisional sales.

Customer partnership

We strive to exceed the expectations of our customers with innovative and competitive solutions. For us, this means being a reliable partner, providing a high level of service, and making our customers more competitive.

We are reliable partners

Long-term partnership and reliability are essential for success in our business. For us, this means being an experienced and trusted partner to provide reliable and performance-critical solutions to our customers.



We provide a high level of service

Delivering outstanding services is essential for long-term growth. For us, service is a people business, and local knowledge is vital. With our global network of over 170 locations, we are where our customers are.



We make our customers more competitive

Increasing competitiveness is essential in order to keep pace in today's fast-changing world. For us, this requires that we leverage our expertise and experience to create competitive advantages for our customers.



For more information visit



www.sulzer.com/customer-partnership





We are reliable partners

Long-term partnership and reliability are essential for success in our business. For us, this means being an experienced and trusted partner to provide reliable and performance-critical solutions to our customers.

Our products have a very long life, and they are part of performance-critical processes. Consequently, reliability is of highest importance to our customers—and to us. Our products are part of solutions that we often develop in collaboration with our suppliers and customers. In order to succeed together, we need to exchange know-how and expertise as trusted partners. That's how we achieve the highest level of quality and service. That's how we remain a reliable partner for our customers.



SULZER
Visitor



We provide a high level of service

Delivering outstanding services is essential for long-term growth. For us, service is a people business, and local knowledge is vital. With our global network of over 170 locations, we are where our customers are.

Be it long-term maintenance and support or rapid field and repair service, the service business is one of our core competencies and contributes over 40% to overall sales. The service business is a people business: Our experienced service professionals strive to thoroughly understand our customers' processes and challenges in order to deliver outstanding services. With our network of over 170 locations worldwide, we are where our customers are. That's how we leverage local know-how. That's how we tailor our services to customer challenges.



SULZER
VISITOR
PLEASE DISPLAY THIS BADGE DURING YOUR VISIT TO THE PLANT AND RETURN IT TO THE RECEPTION AREA BEFORE LEAVING. THANK YOU.



We make our customers more competitive

Increasing competitiveness is essential in order to keep pace in today's fast-changing world. For us, this requires that we leverage our expertise and experience to create competitive advantages for our customers.

Being competitive is essential today; increasing competitiveness prepares for tomorrow. Our expertise and years of experience in our key markets allow us to create long-term competitive advantages for our customers, which helps them succeed in their industries and outpace their competitors. Our energy-efficient wastewater products, for instance, improve efficiency and reduce energy consumption by up to 25%, with both economic and ecological advantages. Our customers' success is our success. That's how we add value to our customers' processes. That's how we make them more competitive.



Strong increase in order intake and record sales

Sulzer achieved order intake and sales of over CHF 4 billion, driven by the major pump acquisition and organic growth. Profitability remained stable in the double-digit range. The company continued to focus on customer partnership and profitable growth.



Dear shareholder

In 2012, Sulzer significantly increased order intake and achieved record sales of over CHF 4 billion. Profitability remained stable at a double-digit level despite acquisition-related charges. Order intake growth was driven by the major pump acquisition and organic growth in all key markets of Sulzer: oil and gas, power, water, and transportation. The main growth drivers were North America and Europe. Return on capital employed remained at a value-generating level. Based on a net income attributable to shareholders of CHF 307 million and earnings per share of CHF 9.03, the Board of Directors will propose an increased dividend of CHF 3.20 per share at the Annual General Meeting 2013.

Through the introduction of the new strategic priorities of technology leadership, outstanding services, continuous operational improvement, and collaborative advantage, Sulzer continued to focus on customer orientation and profitable growth. Our customers' success is our success: As a reliable partner, we help them succeed in their industries and outpace their competitors. Customer proximity is essential to offer local expertise: Sulzer's service and production network was continuously expanded with an additional production site in China and a number of new service sites globally.

Building on its leading market positions and strategic priorities, Sulzer is well positioned for sustained success and profitable growth. For 2013, moderate growth is expected for order intake and sales, and profitability is forecast to increase slightly. Our midrange targets remain unchanged: By the year 2015, Sulzer aspires to achieve a divisional return on sales of 11–13% and a divisional return on capital employed of more than 20%. Sales of the divisions are expected to grow organically by 6–8% on an average yearly basis between 2012 and 2015.

Net income¹⁾

CHF 307m

(2011: CHF 280m)

Dividend

CHF 3.20 (proposed)

(2011: CHF 3.00)

¹⁾ Attributable to shareholders of Sulzer Ltd.

Customer partnership

We put our customers first and have the vision that our customers recognize us for our leading technologies and services, delivering innovative and sustainable solutions. To us, “customer partnership” means being a reliable partner, providing high level of service, and making our customers more competitive. Because our customers’ success is our success. Major contracts in 2012 included, for instance, the delivery of 40 pumps for the largest oil producer in China, and procurement and construction work for a vacuum distillation revamp in Saudi Arabia.

Local presence and expertise is crucial for customer orientation. In 2012, we added locations in Brazil, China, Colombia, Russia, Singapore, South Korea, and Sweden to our global production and service network with the aim of being closer to our customers and to understand their challenges even better. Throughout this report, you will find examples of how we develop sustainable and innovative solutions with high customer value in order to make our customers more competitive.

Profitable growth through strategic priorities

Technology leadership, outstanding services, continuous operational improvement, and collaborative advantage are Sulzer’s four strategic priorities. They are geared toward customer orientation, and they support us in achieving profitable growth. Throughout the year, we made great progress in all of those areas.

In order to reinforce our technology leadership and ensure long-term business success, our engineers continued to develop sustainable and innovative solutions that make our customers more competitive. For instance, we launched the next generation of dewatering pumps, and we completed our pumps range of energy-efficient and reliable wastewater solutions. By acquiring cold-spray technology activities and a carbon friction materials business in 2012, we established the foundation for the

“ Our customers’ success is our success. As a reliable partner, we help them succeed in their industries and outpace their competitors. ”

long-term development of these technologies. In the field of biopolymers, we started a pilot plant in order to further develop this promising business.

Services contribute more than 40% to overall sales. They are an essential part of our business and allow us to create substantial value for our customers. We have therefore increased our service network with new facilities and are now able to serve our customers in over 40 countries and at over 170 locations.

Continuous operational improvement remains a driver for the success of the company. With dedicated measures on a global level, we were able to improve on-time delivery by 14% in 2012. Improved processes also had a decisive impact on the health and safety of our employees. With tailored measures and a new program dedicated to the safe behavior of staff, the frequency of accidents was further reduced to 2.9 accidents per million working hours in 2012.

In today’s fast-changing world, cooperation is a crucial competitive advantage to be able to outpace the competition. We want to position ourselves clearly as one company with strong customer orientation—leveraging the strong Sulzer brand, one shared vision, and clear values that guide our behavior. While responsibility for market- and customer-oriented processes will remain within the divisions, we intend to take further advantage of cross-divisional cooperation and shared services.

Our vision

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

Our 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.

Strong increase of orders and sales

Driven by the major pump acquisition and organic growth, order intake increased significantly by 13% to over CHF 4 billion in 2012. The oil and gas industry continued to be on a good level, both for the upstream and the downstream market segments. The power market grew moderately. The water market also showed a positive trend. Demand in the transportation industry remained high, particularly in the aviation industry. The main growth drivers were North America and Europe.

Sales increased by 12% and reached a record high of over CHF 4 billion, driven by the major pump acquisition and organic growth of all divisions. Profitability remained stable at a double-digit level despite acquisition-related charges. The return on sales figures of the divisions for 2012 include an increase of corporate charges by 50 basis points of sales. Return on capital employed remained—at 15.5%—at a value-generating level. Net income attributable to shareholders amounted to CHF 307 million, resulting in basic earnings per share of CHF 9.03. Free cash flow improved substantially to CHF 348 million in 2012, driven by the active management of working capital.

Considering this year's net income and the solid financial situation of the company, the Board of Directors will propose an increased dividend of CHF 3.20 per share at the Annual General Meeting on March 27, 2013. The Sulzer share price increased remarkably by 44%.

Underscoring the company's strong credit profile, Sulzer successfully signed a new CHF 500 million five-year multicurrency credit facility to substitute an existing facility.

Changes in the Board and management

Klaus Stahlmann was appointed CEO in February 2012. At the Annual General Meeting 2012, Thomas Glanzmann was elected as new Member of the Board.

Our strategic priorities

	Achievements 2012	Actions 2013
Technology leadership	<ul style="list-style-type: none"> Continued innovation with new solutions launched Technology portfolio expanded, e.g., cold-spray technology Start-up of the pilot plant for biopolymers Acquisition of a carbon friction materials business 	<ul style="list-style-type: none"> Continued investments in research and development Expanding technology portfolio
Outstanding services	<ul style="list-style-type: none"> Share of sales in services at 41% Further expanded service network with new facilities in Brazil, China, Colombia, Russia, Singapore, South Korea, and Sweden Service offerings launched in new markets, e.g., marine market 	<ul style="list-style-type: none"> Further strengthening of service network Expanding service offering for the power industry
Continuous operational improvement	<ul style="list-style-type: none"> Frequency and severity of accidents again reduced On-time delivery improved by 14% through application of LEAN principles 	<ul style="list-style-type: none"> Continued safe behavior program Ongoing reduction of accidents Further roll-out of Sulzer LEAN Additional improvement of on-time delivery
Collaborative advantage	<ul style="list-style-type: none"> Cross-divisional projects and technology developments launched, presence in specific countries strengthened Continued partnerships with universities and technical institutes 	<ul style="list-style-type: none"> Increasing focus on company-wide cooperation Seizing additional opportunities for shared services

Customer orientation

Outlook 2013 and midrange targets

Based on present knowledge and excluding major changes in the general economic conditions, further growth is expected for parts of the oil and gas and for the water markets in 2013. Activities in the power and the transportation industries are forecast to continue at similar levels.

Geographically, the emerging markets and North America are likely to remain the growth drivers. Overall, moderate growth is expected for order intake and sales, and profitability is forecast to increase slightly.

The midrange targets remain unchanged. By the year 2015, Sulzer aspires to achieve a divisional return on sales of 11–13% and a divisional return on capital employed of more than 20%. Sales of the divisions are expected to grow organically by 6–8% on an average yearly basis between 2012 and 2015.

Building on its leading market positions and strategic priorities, Sulzer is well positioned for sustained success and profitable growth.

We thank you, our shareholders, for your continued trust. We thank our employees for their commitment and we would also like to thank our customers and partners for their long-term cooperation.

Yours sincerely,



Jürgen Dormann,
Chairman of the Board

Klaus Stahlmann,
CEO

Profitable
growth

Performance 2012

Sales

CHF 4 022m

(2011: CHF 3 578m)

Return on sales

10.2%

(2011: 10.2%)

Return on capital employed

15.5%

(2011: 18.8%)

Midrange targets 2012–2015

Sales growth¹⁾

6–8%

Return on sales²⁾

11–13%

Return on capital employed²⁾

>20%

¹⁾ Compound annual growth rate in %; base year 2011; organic; portfolio as of December 31, 2011; constant FX.

²⁾ Before major non-recurring items.

Strong financial performance

Sulzer strongly increased order intake and sales. Profitability was stable on a double-digit level, and return on capital employed remained value-generating. The company achieved a strong increase in free cash flow.

Sales

millions of CHF

2012	4021.6
2011	3577.9
2010	3183.7
2009	3350.4
2008	3713.5

Operating income

millions of CHF

2012	409.5
2011	364.1
2010	406.4
2009	368.0
2008	475.1

Key figures

millions of CHF	2012	2011	Change in	
			+/- %	+/- % ¹⁾
Order intake	4023.4	3566.1	12.8	3.9
Order backlog	1829.2	1864.0	-1.9	
Sales	4021.6	3577.9	12.4	4.1
Operating income before depreciation/amortization EBITDA	540.9	482.8	12.0	
Operating income EBIT	409.5	364.1	12.5	
Return on sales ROS	10.2%	10.2%		
Return on capital employed ROCE	15.5%	18.8%		
Net income attributable to shareholders of Sulzer Ltd	307.1	279.8	9.8	
Capital expenditure	128.2	113.2	13.3	
Equity attributable to shareholders of Sulzer Ltd	2297.1	2097.8	9.5	
Free cash flow	347.9	82.3	322.7	
Net liquidity	-95.9	-336.9		
Employees (number of full-time equivalents) as of December 31	17936	17002	5.5	

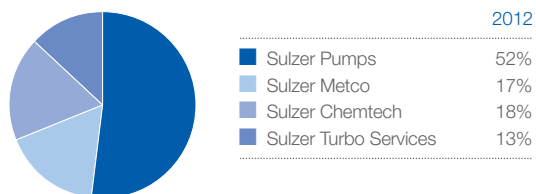
Data per share

CHF	2012	2011	Change in
			+/- %
Closing price of the registered share as of December 31	144.10	100.40	43.5
Net income attributable to a shareholder of Sulzer Ltd EPS	9.03	8.25	9.5
Equity attributable to a shareholder of Sulzer Ltd	67.50	62.06	8.8
Dividend	3.20 ²⁾	3.00	6.7

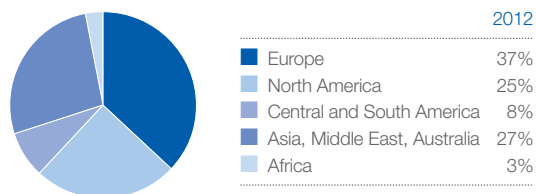
¹⁾ Adjusted for currency effects as well as acquisitions and divestitures.

²⁾ Proposal to the General Meeting of Shareholders.

Sales by division



Sales by region



By division

millions of CHF	Order intake				Sales			
	2012	2011	Change in +/--%	+/--% ¹⁾	2012	2011	Change in +/--%	+/--% ¹⁾
Divisions	4024.1	3558.5	13.1	4.0	4022.9	3570.1	12.7	4.2
– Sulzer Pumps	2094.3	1705.6	22.8	7.1	2097.5	1747.8	20.0	5.9
– Sulzer Metco	689.5	673.6	2.4	1.2	690.3	667.3	3.4	2.3
– Sulzer Chemtech	705.1	701.7	0.5	-4.1	724.6	667.0	8.6	4.0
– Sulzer Turbo Services	535.2	477.6	12.1	8.4	510.5	488.0	4.6	0.8
Others	-0.7	7.6	-	-	-1.3	7.8	-	-
Total	4023.4	3566.1	12.8	3.9	4021.6	3577.9	12.4	4.1

¹⁾ Adjusted for currency effects as well as acquisitions and divestitures.

millions of CHF	Operating income			Return on sales	
	2012 ¹⁾	2011	Change in +/--%	2012 ¹⁾	2011
Divisions	385.5	353.2	9.1	9.6%	9.9%
– Sulzer Pumps	191.2	168.2	13.7	9.1%	9.6%
– Sulzer Metco	68.7	68.7	-	10.0%	10.3%
– Sulzer Chemtech	70.7	63.1	12.0	9.8%	9.5%
– Sulzer Turbo Services	54.9	53.2	3.2	10.8%	10.9%
Others	24.0	10.9	-	-	-
Total	409.5	364.1	12.5	10.2%	10.2%

¹⁾ Figures of the divisions for 2012 include an increase of corporate charges by 50 basis points of sales.

Share price development



Strong financial performance and high cash flow

Sulzer achieved a strong financial performance with an operating income of CHF 409.5 million and a net income attributable to shareholders of CHF 307.1 million. Return on sales remained stable at 10.2%. Free cash flow increased substantially to CHF 347.9 million.

Order intake: strong double-digit growth, supported by acquisitions

In 2012, Sulzer received orders of CHF 4.0 billion. This was a significant nominal increase of 12.8% compared to 2011.

Orders	2012	2011
millions of CHF		
Order intake	4023.4	3566.1
Order backlog as of December 31	1829.2	1864.0

Adjusted for currency translation effects as well as acquisition effects, order intake increased by 3.9%. The main contribution to the strong nominal growth was owed to the first full year contribution of the acquired wastewater pump business and organic growth. The four divisions reported the following growth rates:

- Sulzer Pumps: +22.8% (+7.1% adjusted)
- Sulzer Metco: +2.4% (+1.2% adjusted)
- Sulzer Chemtech: +0.5% (-4.1% adjusted)
- Sulzer Turbo Services: +12.1% (+8.4% adjusted)

The currency translation effect amounted to a positive CHF 73.3 million and acquisition effects contributed a further CHF 246.6 million to the nominal increase of order intake. The order backlog decreased slightly to CHF 1 829.2 million (2011: CHF 1 864.0 million).

Sales: double-digit growth to a record level

Sales increased by a nominal 12.4% (4.1% adjusted). The double-digit nominal growth to a record level was mainly driven by the first full year contribution of the acquired wastewater pump business as well as organic growth of all four divisions. The growth rates of the divisions were as follows:

- Sulzer Pumps: +20.0% (+5.9% adjusted)
- Sulzer Metco: +3.4% (+2.3% adjusted)
- Sulzer Chemtech: +8.6% (+4.0% adjusted)
- Sulzer Turbo Services: +4.6% (+0.8% adjusted)

Sales were positively influenced by the significant strengthening of the US dollar and the British pound. The positive currency translation effect amounted to CHF 67.7 million while acquisition effects added some CHF 231.7 million. Strong growth was reported in North America. The emerging markets also continued to grow, but at a slower pace compared with previous years. The share of sales in emerging markets slightly decreased to 38.6% (2011: 40.8%). The gross margin slightly increased to 31.0% (2011: 30.6%).

Consolidated income statement (condensed)

millions of CHF	2012	2011
Sales	4021.6	3577.9
Cost of goods sold	-2776.1	-2481.5
Gross profit	1245.5	1096.4
Selling, administrative, and development expenses	-836.0	-732.3
Operating income	409.5	364.1
Financial income, net	4.7	5.3
Income tax expenses	-102.2	-89.4
Net income	312.0	280.0

Equity ratio

50.0%

Solid balance sheet

Return on capital employed

15.5%

Above value-creating threshold

Operating income: strong increase

Operating expenses increased by CHF 103.7 million (+14.2%) to CHF 836.0 million, which is about in line with the increase of the business volume. This also includes additional amortization on intangible assets due to the first full year consolidation of the acquired wastewater pump business.

Research and development (R&D) activities were further expanded to invest in the future of the businesses, with R&D expenses increasing from CHF 71.7 million in 2011 to CHF 89.3 million, which corresponds to 2.2% of sales (2011: 2.0%). This strengthening underscores the strategic priority of technology leadership that aims to maintain leading positions in Sulzer's key markets.

Operating income (EBIT) increased by 12.5% from CHF 364.1 million in 2011 to CHF 409.5 million in 2012. The higher gross profit (plus CHF 149.1 million) was only partially offset by the increase in operating expenses (plus CHF 103.7 million). Return on sales (ROS) was at 10.2% (2011: 10.2%). The strong Swiss franc had only a minor effect on profitability. The ROS of the divisions was impacted by the increase of corporate charges by 50 basis points of sales in 2012. The divisions achieved the following ROS figures:

- Sulzer Pumps: 9.1% (2011: 9.6%); with higher operating expenses as a percentage of sales driven by the increase in corporate charges and the additional integration costs related to the acquired wastewater pump business.
- Sulzer Metco: 10.0% (2011: 10.3%); considering the increase in corporate charges, the division improved its operational performance by 0.2%. The progress in reducing operating expenses as a percentage of sales was partially offset by a lower gross margin.
- Sulzer Chemtech: 9.8% (2011: 9.5%); the division overcompensated for the increase of corporate charges with a further strong reduction of operating expenses as a percentage of sales.

- Sulzer Turbo Services: 10.8% (2011: 10.9%); despite the increase in corporate charges, the division was able to reach a similar level of profitability as in the year before mainly due to a high level of productivity.

EBIT before depreciation and amortization (EBITDA) was CHF 540.9 million (13.4% of sales) compared with CHF 482.8 million in 2011 (13.5% of sales). Depreciation and amortization was CHF 131.4 million in 2012, which is an increase of CHF 12.7 million, mainly due to the full year effects from the acquired wastewater pump business. With a return on capital employed (ROCE) of 15.5% (2011: 18.8%), Sulzer exceeded its value-creating threshold (pretax weighted average cost of capital) of 11.8% and created financial value despite the dilutive effect of the wastewater pump acquisition.

Key performance ratios

		2012	2011
Return on sales (EBIT/sales)	ROS	10.2%	10.2%
Return on capital employed (EBIT in % of average capital employed)	ROCE	15.5%	18.8%

Financial income: positively impacted by the sale of third-party shares

Net financial income was positive at CHF 4.7 million. Interest income decreased to CHF 4.9 million (2011: CHF 8.7 million) driven by lower interest rates. Interest expenses were CHF 22.5 million (2011: CHF 14.8 million) mainly driven by the full year interest expenses on the CHF 500 million Swiss franc denominated bond of CHF 12.1 million (2011: CHF 6.5 million). The interest expenses for unfunded pension plans were CHF 3.2 million (2011: CHF 2.9 million). The sale of the remaining stake in Burckhardt Compression AG classified as available-for-sale financial instruments contributed CHF 31.0 million to the financial income.

Income tax expenses: income tax rate at 24.7%

Tax expenses increased by 14.3% to CHF 102.2 million in 2012, mainly due to higher pretax income, whereas the effective income tax rate slightly increased to 24.7% (24.2% in 2011) but it remained significantly below Sulzer's weighted average tax rate of 26.0% (27.4% in 2011). The effective tax rate was positively impacted by the increase of corporate charges, profit taxed at a favorable tax rate (gain from the sale of the third-party shares), positive effects due to changes in applicable tax rates on accounting differences in certain countries and the release of no longer required tax provisions.

Net income: high level of CHF 312.0 million

Driven by a higher operating income, net income increased from CHF 280.0 million in 2011 to CHF 312.0 million in 2012. Net income attributable to Sulzer shareholders amounted to CHF 307.1 million (7.6% of sales) compared with CHF 279.8 million (7.8% of sales) in 2011. Basic earnings per share (EPS) increased by 9.5% to CHF 9.03 (2011: CHF 8.25).

Balance sheet: increase of equity ratio to 50.0%

Total assets as per December 31, 2012, amounted to CHF 4 593.9 million, which is an increase of CHF 53.5 million over 2011's figure, driven by the increase of some major foreign exchange rates (in particular USD and GBP).

Non-current assets increased from CHF 2 203.2 million to CHF 2 213.9 million in 2012, completely related to the increase in foreign currencies. Additions to assets amounted to CHF 128.2 million, mainly related to property, plant, and equipment (2011: CHF 113.2 million). Additions to assets were compensated by depreciation amounting to CHF 88.0 million (2011: CHF 78.5 million) and amortization of intangible assets, which increased to CHF 43.4 million (2011: CHF 40.2 million).

Current assets increased to CHF 2 380.0 million (2011: CHF 2 337.2 million). Net working capital positions within current assets decreased by CHF 65.2 million despite the increase in sales. The improvement in working capital was driven by a reduction in inventories and advance payments to suppliers, as well as a decrease in accounts receivable. Cash increased by CHF 84.7 million related to the positive free cash flow.

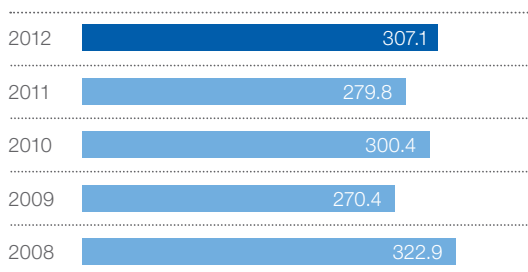
Total liabilities (current and non-current liabilities) decreased by CHF 146.6 million to CHF 2 290.0 million. The major change resulted from the reduction of short-term borrowings (CHF 160.2 million). This decrease also drove the reduction in current liabilities which was partly offset by the positive development of net working capital positions.

Consolidated cash flow statement (condensed)

millions of CHF	2012	2011
Cash flow from operating activities	472.8	188.6
Purchase of intangible assets and property, plant, and equipment	-128.2	-113.2
Sale of property, plant, and equipment and intangible assets	3.3	6.9
Free cash flow	347.9	82.3
Acquisitions/divestitures	-37.5	-815.4
Purchase/sale of financial assets and marketable securities	33.4	4.1
Cash flow from operating and investing activities	343.8	-729.0
Cash flow from financing activities	-251.5	499.2
Exchange losses on cash and cash equivalents	-7.6	-15.7
Net change in cash and cash equivalents	84.7	-245.5
Cash and cash equivalents as of December 31	507.3	422.6

Net income¹⁾

millions of CHF



¹⁾ Attributable to shareholders of Sulzer Ltd.

Non-current liabilities decreased by CHF 41.7 million mainly driven by the reduction in non-current provisions and deferred tax liabilities.

Equity increased by CHF 200.1 million to CHF 2 303.9 million driven by the net income CHF 312.0 million and the dividend of CHF -102.8 million. The healthy equity ratio (equity attributable to shareholders of Sulzer Ltd/ total assets) increased from 46.2% in 2011 to 50.0% in 2012, and the gearing (borrowings/equity) decreased to 27% (from 37% in 2011).

Underscoring the company's strong credit profile, Sulzer successfully signed a new CHF 500 million five-year multicurrency credit facility to substitute an existing facility.

Cash flow: strong improvements in operating cash flow

Change in net cash was positive at CHF 84.7 million in 2012. The main impacts on cash flow were as follows:

- Cash flow from operating activities amounted to CHF 472.8 million in 2012, an increase of CHF 284.2 million compared with 2011. The decrease in net working capital led to a positive cash flow of CHF 100.2 million. Most significant impacts came from lower inventories (CHF 44.7 million) and higher advance payments from customers (CHF 24.9 million). Taxes paid increased to CHF 120.5 million in 2012 (2011: CHF 93.7 million) due to higher statutory results in the current year and due to higher tax payments for prior years.
- A total cash outflow of CHF 129.0 million resulted from investing activities. Capital expenditures (CAPEX) of CHF 128.2 million were recorded in 2012, which break down into capacity and capability expansions of CHF 63.2 million (49.3%), replacements of CHF 31.9 million (24.9%), information technology of CHF 13.7 million (10.7%), and CHF 19.4 million (15.1%) for others. Cash flow for acquisitions amounted to CHF 38.6 million, mainly related to the acquisitions of Hidrotecar S.A. in Spain and Thermoset Inc. in the USA. These cash outflows were partially offset by the cash inflow from the sale of the Burckhardt Compression AG shares of CHF 32.0 million.

- Cash flow from financing activities was negative at CHF 251.5 million. Short- and long-term borrowings decreased by CHF 157.0 million. The dividend payment to Sulzer's shareholders totaled a cash out of CHF 102.2 million.

The exchange loss on cash and cash equivalents amounted to CHF -7.6 million in 2012 (2011: CHF -15.7 million), mainly related to the cash balance held in Brazilian real and US dollars.

Outlook 2013 and midrange targets

Based on present knowledge and excluding major changes in the general economic conditions, moderate growth is expected for order intake and sales in 2013, and profitability is forecast to increase slightly.

The midrange targets remain unchanged. By the year 2015, Sulzer aspires to achieve a divisional return on sales of 11–13% and a divisional return on capital employed of more than 20%. Sales of the divisions are expected to grow organically by 6–8% on an average yearly basis between 2012 and 2015.

Consolidated income statement

January – December

millions of CHF	Notes	2012	2011
Sales	03	4021.6	3577.9
Cost of goods sold		-2776.1	-2481.5
Gross profit		1245.5	1096.4
Selling and distribution expenses		-387.8	-340.3
General and administrative expenses		-361.0	-320.0
Research and development expenses	07	-89.3	-71.7
Other operating income	08	39.8	44.7
Other operating expenses	08	-37.7	-45.0
Operating income		409.5	364.1
Interest and securities income	09	4.9	8.7
Interest expenses	09	-22.5	-14.8
Other financial income	09	22.3	11.4
Income before income tax expenses		414.2	369.4
Income tax expenses	10	-102.2	-89.4
Net income		312.0	280.0
Attributable to shareholders of Sulzer Ltd		307.1	279.8
Attributable to non-controlling interests		4.9	0.2
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF)			
Basic earnings per share	23	9.03	8.25
Diluted earnings per share	23	8.98	8.19

Consolidated statement of comprehensive income

January – December

millions of CHF	Notes	2012	2011
Net income		312.0	280.0
Fair value changes on available-for-sale financial assets, net of tax		-24.4	-2.7
Cash flow hedge reserve, net of tax		2.7	-6.6
Currency translation differences		-8.1	22.7
Total comprehensive income for the year		282.2	293.4
Attributable to shareholders of Sulzer Ltd		277.6	293.8
Attributable to non-controlling interests		4.6	-0.4

Consolidated balance sheet

December 31

millions of CHF

	Notes	2012	2011
Non-current assets			
Intangible assets	11	1 447.0	1 435.2
Property, plant, and equipment	12	650.0	619.5
Other financial assets	13	8.6	36.2
Non-current receivables		13.8	12.2
Deferred income tax assets	10	94.5	100.1
Total non-current assets		2 213.9	2 203.2
Current assets			
Inventories	14	622.9	675.4
Advance payments to suppliers		78.6	83.1
Trade accounts receivable	16	1 012.1	1 020.3
Other accounts receivable and prepaid expenses	17	152.7	126.8
Assets held for sale	18	0.6	0.9
Marketable securities	20	5.8	8.1
Cash and cash equivalents	19	507.3	422.6
Total current assets		2 380.0	2 337.2
Total assets		4 593.9	4 540.4
Equity			
Share capital	22	0.3	0.3
Reserves		2 296.8	2 097.5
Equity attributable to shareholders of Sulzer Ltd		2 297.1	2 097.8
Non-controlling interests		6.8	6.0
Total equity		2 303.9	2 103.8
Non-current liabilities			
Long-term borrowings	24	533.0	531.4
Deferred income tax liabilities	10	116.5	133.0
Non-current income tax liabilities	10	9.3	12.8
Non-current provisions	25	200.8	223.8
Other non-current liabilities		0.8	1.1
Total non-current liabilities		860.4	902.1
Current liabilities			
Short-term borrowings	24	76.0	236.2
Current income tax liabilities	10	55.3	49.5
Current provisions	25	138.0	171.3
Trade accounts payable		419.9	386.0
Customers' advance payments		291.0	272.2
Other current and accrued liabilities	26	449.4	419.3
Total current liabilities		1 429.6	1 534.5
Total liabilities		2 290.0	2 436.6
Total equity and liabilities		4 593.9	4 540.4

Consolidated statement of changes in equity

January – December

millions of CHF	Notes	Attributable to shareholders of Sulzer Ltd							Total	Non-controlling interests	Total equity
		Share capital	Retained earnings	Treasury stock	Cash flow hedge reserve	Available-for-sale financial assets	Currency translation adjustment				
Equity as of January 1, 2011		0.3	2217.1	-76.9	8.4	27.1	-281.0	1895.0	6.2	1901.2	
Comprehensive income for the year:											
Net income			279.8					279.8	0.2	280.0	
Cash flow hedges, net of tax					-6.6			-6.6		-6.6	
Fair value changes on available-for-sale financial assets, net of tax						-2.7		-2.7		-2.7	
Currency translation differences							23.3	23.3	-0.6	22.7	
Total comprehensive income for the year		-	279.8	-	-6.6	-2.7	23.3	293.8	-0.4	293.4	
Addition/deduction of non-controlling interests								-	3.1	3.1	
Changes in ownership in subsidiaries without loss of control			1.3					1.3	0.7	2.0	
Change in treasury shares			-12.6	12.6				-		-	
Share-based payments	31		10.5					10.5		10.5	
Dividend			-102.8					-102.8	-3.6	-106.4	
Equity as of December 31, 2011	22	0.3	2393.3	-64.3	1.8	24.4	-257.7	2097.8	6.0	2103.8	
Comprehensive income for the year:											
Net income			307.1					307.1	4.9	312.0	
Cash flow hedges, net of tax					2.7			2.7		2.7	
Fair value changes on available-for-sale financial assets, net of tax						-24.4		-24.4		-24.4	
Currency translation differences							-7.8	-7.8	-0.3	-8.1	
Total comprehensive income for the year		-	307.1	-	2.7	-24.4	-7.8	277.6	4.6	282.2	
Addition/deduction of non-controlling interests								-	-	-	
Changes in ownership in subsidiaries without loss of control								-	-0.2	-0.2	
Change in treasury shares			-7.6	19.8				12.2		12.2	
Share-based payments	31		12.3					12.3		12.3	
Dividend			-102.8					-102.8	-3.6	-106.4	
Equity as of December 31, 2012	22	0.3	2602.3	-44.5	4.5	-	-265.5	2297.1	6.8	2303.9	

Imprint

This document 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.

The complete Sulzer Annual Report 2012 is available online at www.sulzer.com/AR2012.

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Consolidated statement of cash flows

January – December

millions of CHF

Notes

2012

2011

Cash and cash equivalents as of January 1

422.6

668.1

Cash flow from operating activities

Net income		312.0	280.0
Interest and securities income	09	-4.9	-8.7
Interest expenses	09	22.5	14.8
Income tax expenses	10	102.2	89.4
Depreciation/amortization	11/12	131.4	118.7
Changes in inventories		44.7	-78.2
Changes in advance payments to suppliers		3.4	-1.5
Changes in trade accounts receivable		-11.5	-229.4
Changes in advance payments from customers		24.9	-7.1
Changes in trade accounts payable		38.7	84.5
Changes in provisions		-48.7	12.0
Changes in other net current assets		24.5	24.5
Other non-cash items		-0.4	-0.6
Interest received		4.9	8.6
Interest paid		-19.1	-6.6
Income tax paid		-120.5	-93.7
Income from disposals of subsidiaries; property, plant, and equipment; and financial instruments		-31.3	-18.1
Total cash flow from operating activities		472.8	188.6

Cash flow from investing activities

Purchase of intangible assets	11	-2.4	-1.8
Sale of intangible assets		0.2	0.1
Purchase of property, plant, and equipment	12	-125.8	-111.4
Sale of property, plant, and equipment		3.1	6.8
Acquisitions	01	-38.6	-864.5
Divestitures		1.1	49.1
Purchase of financial assets		-1.1	-0.6
Sale of financial assets		32.0	1.0
Purchase of marketable securities		-3.6	-7.5
Sale of marketable securities		6.1	11.2
Total cash flow from investing activities		-129.0	-917.6

Cash flow from financing activities

Dividend		-102.2	-102.0
Purchase/sale of treasury stock		11.3	-12.2
Dividend to non-controlling interests		-3.6	-3.6
Changes in non-controlling interests		-	-2.7
Additions in long-term borrowings		14.4	506.7
Repayment of long-term borrowings		-2.9	-1.7
Changes in short-term borrowings		-168.5	114.7
Total cash flow from financing activities		-251.5	499.2

Exchange losses on cash and cash equivalents

-7.6

-15.7

Net change in cash and cash equivalents

84.7

-245.5

Cash and cash equivalents as of December 31

19

507.3

422.6

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