Annual Report 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.

Global Trends

WATER
Supplying clean water on a cost- and energy-efficient basis is crucial in an urbanized world.

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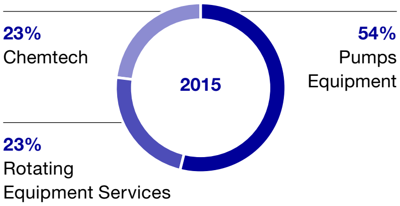
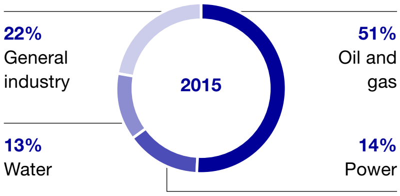
Oil and Gas Market Headwinds Impacted Order Intake and Sales

Increasing market headwinds impacted the company's business performance. Order intake and sales decreased in 2015. Strong growth in the power market partially offset reduced activity in the oil and gas and the water markets. Order intake gross margin on a currency-adjusted basis improved. Operational EBITA and operational ROSA decreased.

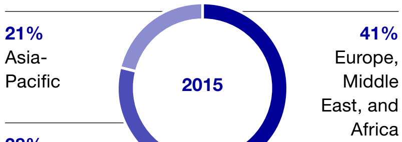
Sales by divisions



Sales by market segments



Sales by regions



Key figures

millions of CHF	2015	2014	Change in +/– %	+/– %[1]
Order intake	2895.8	3160.8	–8.4	–3.7
Order intake gross margin	33.8%	33.5%		
Order backlog	1510.7	1699.6	–11.1	
Sales	2971.0	3212.1	–7.5	–3.2
EBIT	120.9	–69.0		
opEBITA	254.1	302.9	–16.1	–11.8
opROSA	8.6%	9.4%		
opROCEA	17.0%	17.1%		
Net income attributable to shareholders of Sulzer Ltd[2]	73.9	275.0	–73.1	
EPS from continuing operations	2.17	–4.72		
FCF[2]	155.8	98.0	59.0	
Net liquidity	695.7	773.5	–10.1	
Employees (number of full-time equivalents) as of December 31	14253	15494	–8.0	

[1] Adjusted for currency effects.
[2] Includes continuing and discontinued operations.

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

Managing Demands Resulting from Global Megatrends

Sulzer holds leading positions in the oil and gas, power, water, and general industry markets. We are dedicated to creating long-term value and providing sustainable solutions. We support our customers in managing the demands that result from global megatrends.

The company at a glance

Pumps Equipment

Pump technology and solutions

We provide a wide range of pumping solutions, related equipment, and services. Customers benefit from extensive research and development. We supply highly efficient products that help reduce emissions and energy consumption. Our state-of-the-art production and testing facilities around the globe ensure customer proximity.

Our market focus is on:
— The production, transport, and processing of crude oil and derivates
— The supply, treatment, and transport of water as well as wastewater collection
— Fossil-fired, nuclear, and renewable power generation

Rotating Equipment Services

Service solutions for rotating equipment

We offer service solutions for turbines, pumps, compressors, motors, and generators. Customers benefit from reliable and efficient repair and maintenance services. Our technically advanced solutions reduce maintenance time and cost. Access to our global network from one point of contact ensures high-quality local service.

Our market focus is on:
— Industrial gas and steam turbines
— Turbocompressors
— Generators and motors for the marine and rail market, the power market, and many more industries
— Pumps in the oil and gas market, the power market, and many more industries

Chemtech

Separation technology and services, mixing and dispensing systems

We consist of two business cores today: We supply separation technology, process solutions, and field services for the hydrocarbon and chemical processing industry. Further, we provide mixing and dispensing technology.

Our market focus is on:
— High-performing tower internals and separators
— Process engineering and skid solutions
— Service for towers and static equipment
— Mixing and dispensing systems for the healthcare and industrial markets

opEBITA and opROSA

in CHF

	Pumps Equipment	Rotating Equipment Services	Chemtech
opEBITA	118m (2014: 161m)	71m (2014: 65m)	67m (2014: 94m)
opROSA	7.3% (2014: 9.2%)	10.2% (2014: 8.9%)	10.1% (2014: 12.6%)

Sales

Pumps Equipment	Rotating Equipment Services	Chemtech
1621m (2014: 1 755m)	693m (2014: 725m)	670m (2014: 742m)

Order intake

Pumps Equipment	Rotating Equipment Services	Chemtech
1501m (2014: 1 726m)	698m (2014: 725m)	709m (2014: 718m)

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 (on page 10), mitigating air pollution (on page 16), and reducing energy consumption (on page 22).

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.

Greg Poux-Guillaume, CEO, and Peter Löscher, Chairman of the Board of Directors

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%).

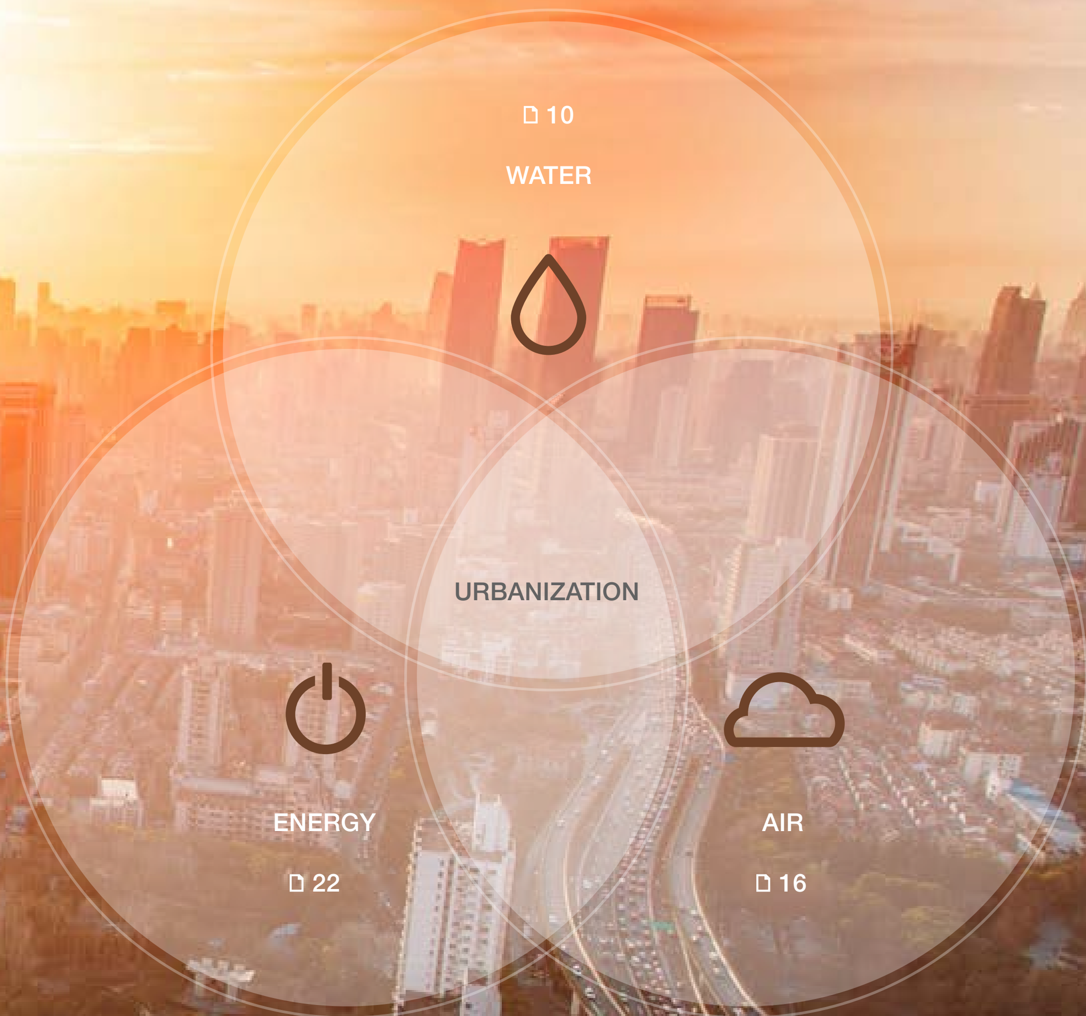
Sales

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.

See abbreviations on fold-out page.

GLOBAL MEGA-TRENDS

With a population of over 24 million inhabitants, Shanghai, China, belongs to the world's largest cities. In the future, even more people will be living in urban environments.



For the first time in human history, more than half of the global population live in cities—and the trend is rising. We are on the brink of a new level of urbanization: future cities are going to be more varied, interconnected, and sustainable.

Urbanization has many implications for our way of living. Significant side effects are the increasing energy demand, greater need for clean water, and growing air pollution. Although cities only cover two percent of the earth's surface, they consume 75% of global energy, produce 80% of all greenhouse gas emissions, and withdraw a remarkable amount of water. This poses major challenges to humankind.

Sulzer offers technology and services that help meet these challenges. On the following pages, we present you with some of our solutions that address global megatrends: We provide energy-efficient equipment for desalination applications, which improve the supply of freshwater. Our solutions enhance the capture of carbon dioxide and, thus, reduce air pollution. Moreover, we support our customers in decreasing the energy consumption and in increasing the efficiency of their equipment.

Thompsons, USA

Reduction of CO_2 emissions

90%

Sulzer provides equipment for a US carbon capture and storage (CCS) project that aims to reduce the CO_2 emissions of a fossil fuel power plant by 90%.

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THREE MEGATRENDS DEFINING OUR WORLD

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.

Kotka, Finland / Winterthur, Switzerland

Affordable freshwater supply

60%

Pumps use 60% of all the energy consumed in desalination plants. Sulzer's pumps, developed in Finland and Switzerland, contribute to the affordable and energy-efficient supply of freshwater.

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Beihai, China

Generating energy more efficiently

600°C

Ultra-supercritical power plants generate energy in a highly efficient manner. Because they operate at temperatures above 600°C, the requirements for the equipment are challenging.

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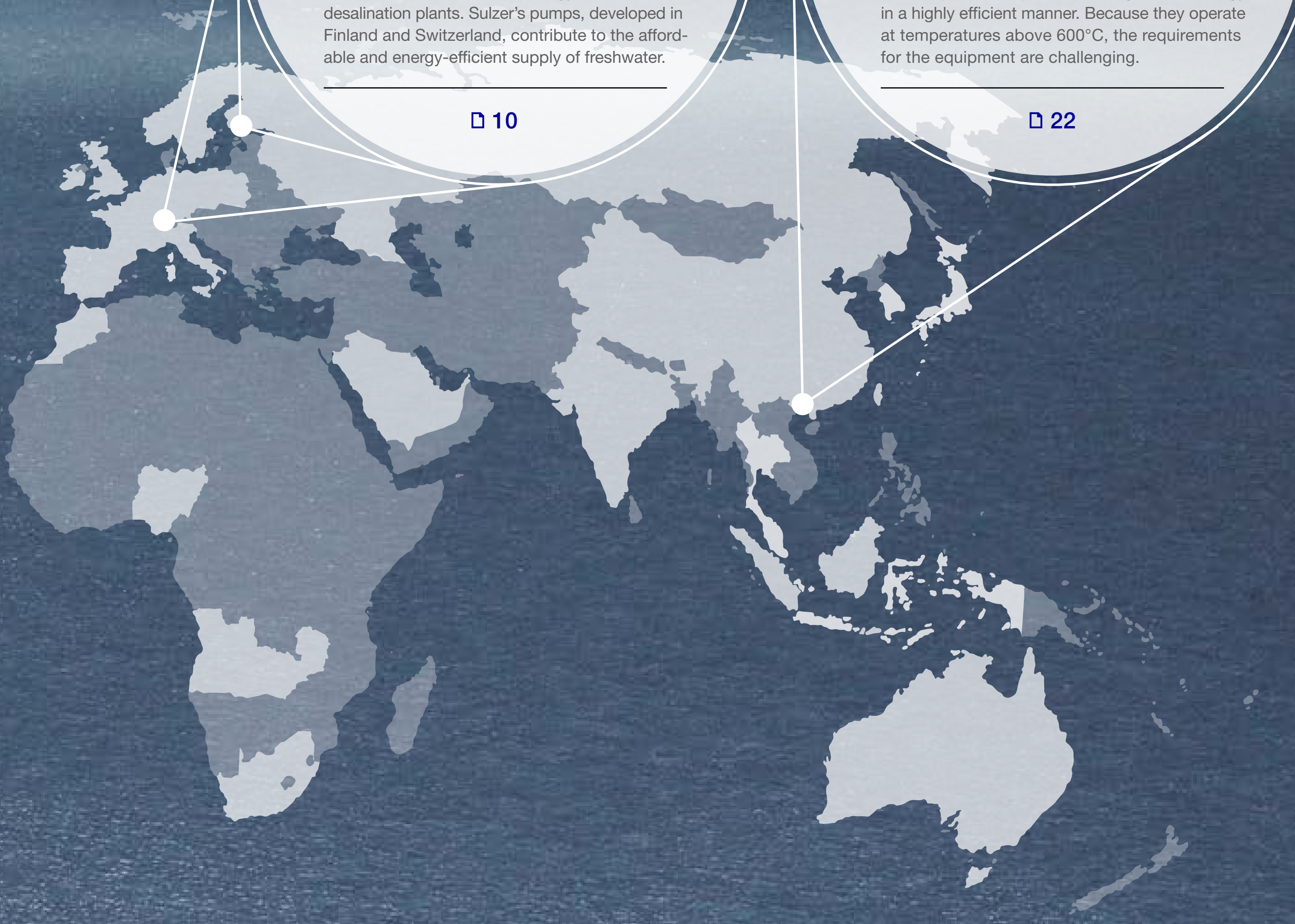


Sulzer is present in over 40 countries around the world

Global footprint

Americas

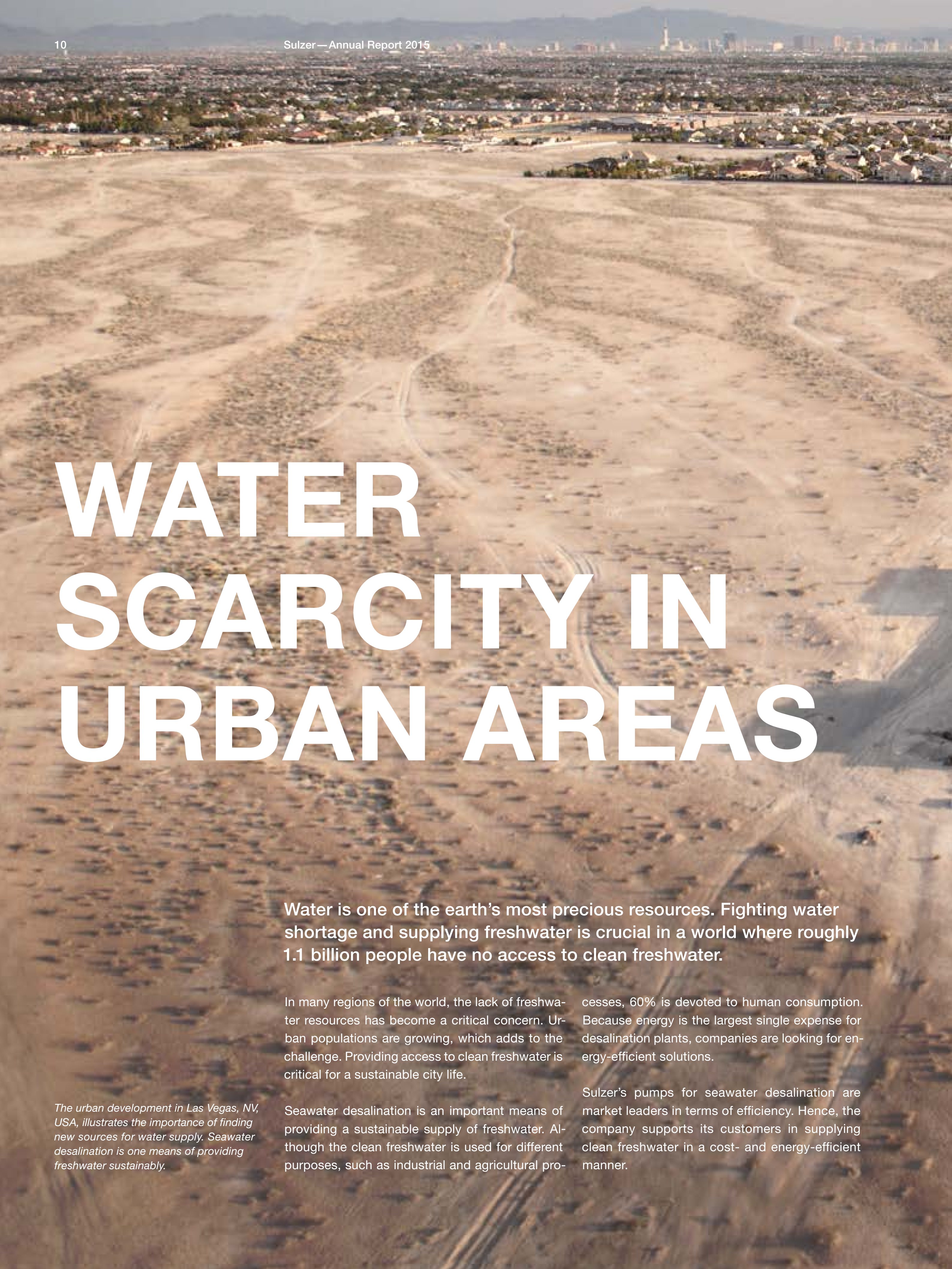
Sulzer operates in eight countries of North, Central, and South America. More than 4 000 employees are spread across the continent and close to the company's customer base. Sulzer is most present in the USA and Brazil.

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 6 500 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 3 500 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.



WATER SCARCITY IN URBAN AREAS

Water is one of the earth's most precious resources. Fighting water shortage and supplying freshwater is crucial in a world where roughly 1.1 billion people have no access to clean freshwater.

In many regions of the world, the lack of freshwater resources has become a critical concern. Urban populations are growing, which adds to the challenge. Providing access to clean freshwater is critical for a sustainable city life.

Seawater desalination is an important means of providing a sustainable supply of freshwater. Although the clean freshwater is used for different purposes, such as industrial and agricultural processes, 60% is devoted to human consumption. Because energy is the largest single expense for desalination plants, companies are looking for energy-efficient solutions.

Sulzer's pumps for seawater desalination are market leaders in terms of efficiency. Hence, the company supports its customers in supplying clean freshwater in a cost- and energy-efficient manner.

The urban development in Las Vegas, NV, USA, illustrates the importance of finding new sources for water supply. Seawater desalination is one means of providing freshwater sustainably.

Increase of global water demand

55%

expected increase of global water withdrawals by 2050

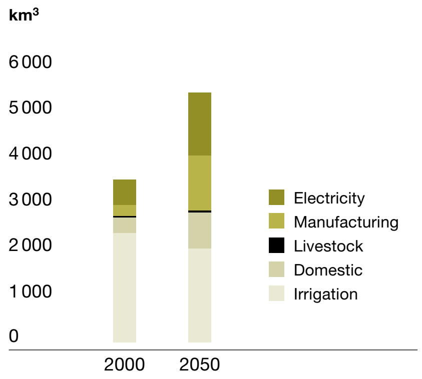
Seawater as large source

98%

of total available water on earth is seawater

Global water demand

Freshwater withdrawals, baseline scenario, 2000 and 2050, world



Source: © OECD

From Seawater to Freshwater: Providing Equipment for Desalination Plants

Seawater desalination is a promising and fast-growing solution to counter water scarcity. Reverse osmosis — a desalination technology — requires less energy and is less expensive than other methods. By providing highly efficient pumps, Sulzer facilitates the affordable and energy-efficient supply of freshwater.

The current climate change scenario predicts that almost half of the world's population will live in areas of high water stress by 2030. Population growth and industrialization in developing areas are substantially increasing water demand.

Governments, national, and international institutions, as well as water management companies, are looking for solutions to face one of the most pressing challenges that lies ahead. Since seawater represents 98% of available water on earth, desalination of sea and brackish water is a promising approach to provide clean freshwater for human consumption, irrigation, or industrial use.

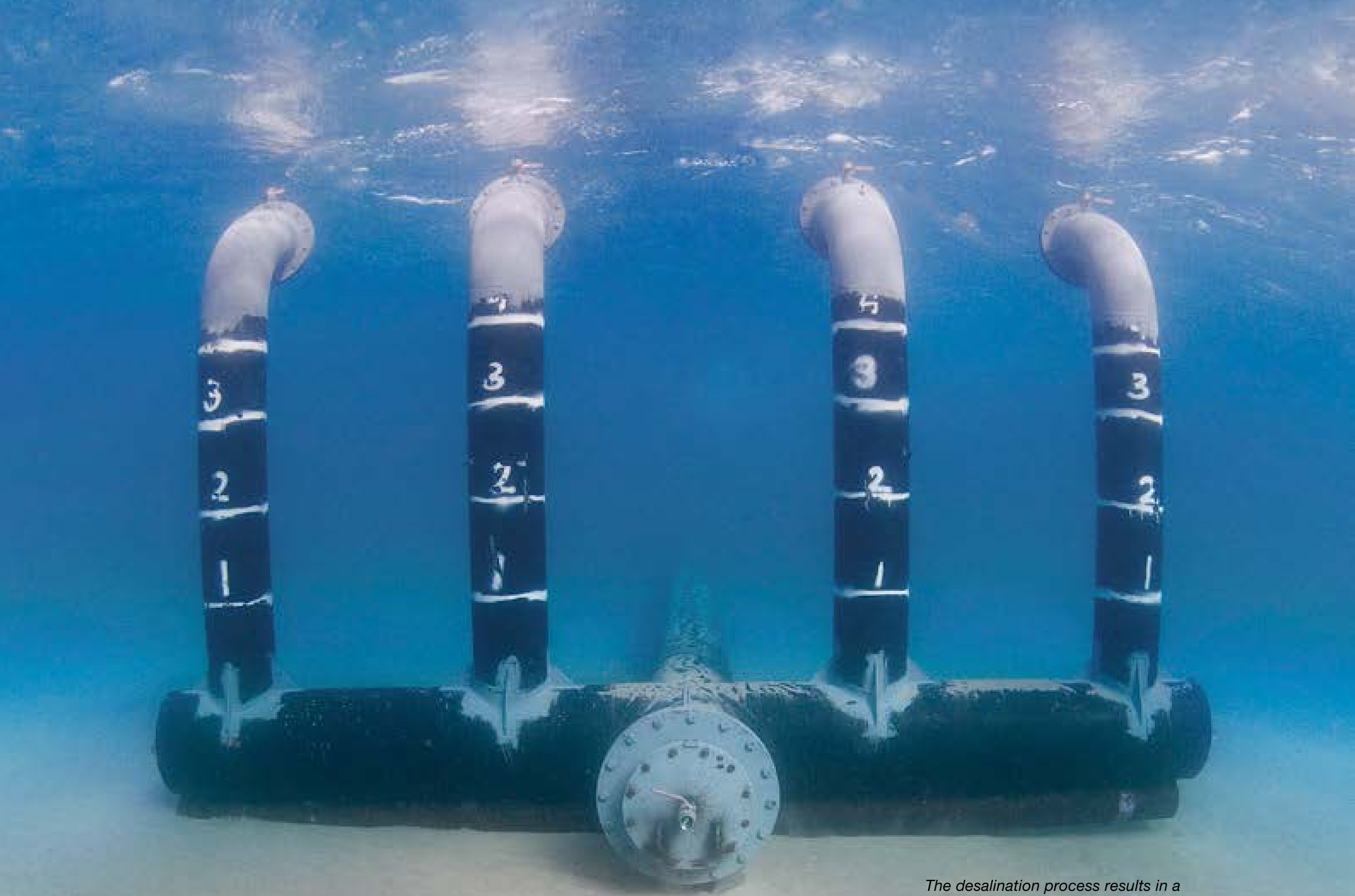
Converting seawater into freshwater

There are two main methods for converting seawater into freshwater: desalination technologies based on either thermal processes (such as multiple-effect or multistage flash distillation) or membrane processes (reverse osmosis). Although thermal desalination technologies consume a lot of energy, they have been predominant in the Middle East because the plants are easy to operate and energy costs are low. However, the market trend is turning towards reverse osmosis, even in those regions of low energy costs. Today, more than two-thirds of the newly installed desalination capacity worldwide is based on reverse osmosis technology. The benefits of this process: it needs less energy and is more eco-friendly. Sulzer supplies a full range of pumps for sea or brackish water desalination using either reverse osmosis or multiple-effect processes. To follow the market trend, the company has specialized increasingly in equipment for reverse osmosis plants. With the proper plant design and equipment selection, reverse osmosis technology is unbeatable in energy efficiency.

Decreasing costs of reverse osmosis plants

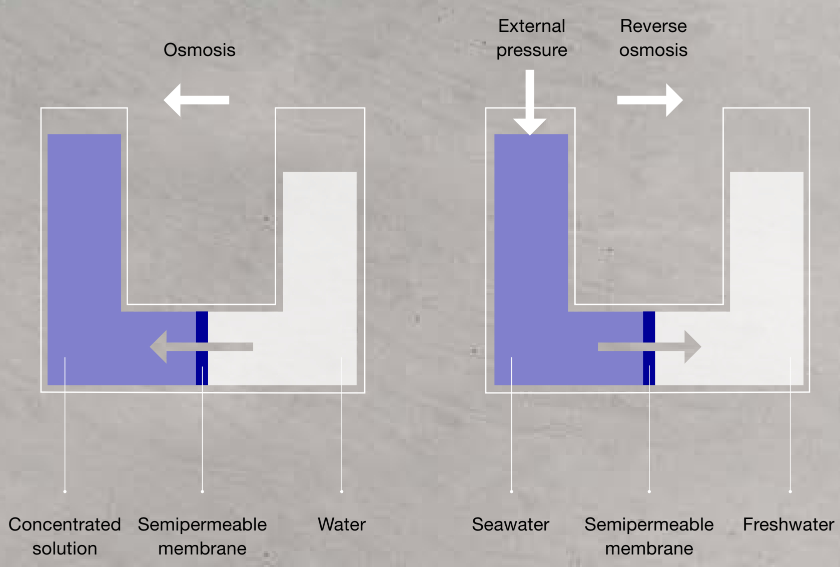
In the reverse osmosis process, seawater is pushed through a membrane. Water molecules permeate through the membrane, but salt particles do not. The part of the seawater that does not cross the membrane — about 55% of the feed flow — is called brine. It is possible to recover energy from the brine. Over the years, the efficiency of energy recovery systems has increased, thus largely reducing life cycle costs.

Pumps also play an important role in decreasing operating expenditures. Since the beginning of development of desalination applications in the 1980s, Sulzer has provided solutions that meet the specific market requirements. In a reverse osmosis plant, Sulzer's pumps can be used to intake and pretreat



The desalination process results in a solution with a high concentration of salt—called brine. Pumps boost the brine back to the ocean through pipelines.

Seawater desalination with reverse osmosis



Osmosis is the diffusion of fluid through a semipermeable membrane from a solution with a low solute concentration to a solution with a higher concentration. Osmosis can be reversed if sufficient pressure is applied to the concentrated side of the membrane. Reverse osmosis is used for water purification and desalination. The membrane allows only the water to pass through, but not larger molecules or ions (like salt).

seawater, to provide the pressure for the water to diffuse through the membrane, and to transport the freshwater. Because high-pressure pumps use 60% of all the energy consumed in the desalination plant, they need to be highly efficient, reliable, and as low-cost as possible. Each single percentage of their efficiency increase directly lowers the costs of the water produced.

Highly efficient pumps for desalination plants

With this in mind, Sulzer's teams in Kotka, Finland, and Winterthur, Switzerland, developed the new MBN-RO and MSD-RO pump ranges, which are specifically engineered for reverse osmosis applications. The teams improved the hydraulic efficiency of the pumps by optimizing the suction chamber and the design of the impeller, the diffuser, and the volute. Thanks to their advanced hydraulic design, both the MBN-RO and the MSD-RO are leading products in the market in terms of efficiency. The pumps have already been supplied to several desalination plants in the Middle East and in China. For example, the MBN-RO pumps will be used in the Jubail 4 SWRO project in Saudi Arabia. Built to address the water needs of the city of Al Jubail and the country's Eastern Province, the plant produces potable water for residents as well as water for industrial processes. Sulzer's installations around the globe support the production of more than three million m^3 of freshwater per day.

More efficient than required

Because every kilowatt matters with regard to affordable water supply, Sulzer's engineers developed highly efficient end-suction process pumps. The SNS process pumps, originally designed for the pulp and paper industry, can be used in auxiliary services in seawater reverse osmosis and other applications in the water market. They achieve top-level efficiency, and they exceed the European Union's requirements for energy-related products by a significant margin. These regulations, which aim to reduce energy consumption, specify the minimum efficiency values for water pumps. The

The unique hydraulic design of the SNS pumps ensures extremely efficient pumping in various applications. Engineers in Kotka, Finland, developed this pump range. Watch the video about the new SNS process pump range: www.sulzer.com/sns-pumps.

The MBN-RO pump will help address the water needs in Al Jubail, Saudi Arabia, and its surroundings. The pump is able to cover a capacity of up to 1 000 m³ of water per day.

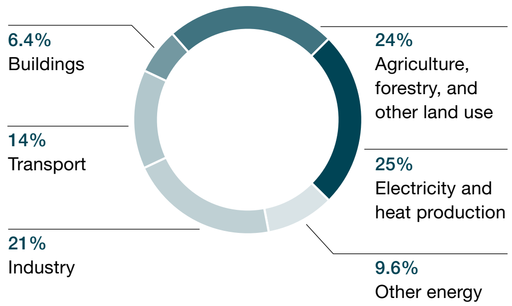
minimum efficiency index (MEI) was set at 0.4 as of the beginning of 2015. Around 40% of the water pumps in use do not comply with this regulation. The SNS process pump range—on the market since 2015—achieved an MEI of 0.7, which is clearly above the required criteria.

Spotting future trends

While regions such as Algeria, Spain, Australia, and the Middle East have built very large plants in the past, the trend is moving to small- and medium-sized plants. They are easier to construct, install, run, and finance. Sulzer supports its customers from a very early project stage in improving the overall efficiency and ensuring the highest possible profitability of the plants. In this way, Sulzer helps provide an affordable and energy-efficient supply of freshwater.

CLEAN AIR IN A GLOBALIZED WORLD

Greenhouse gas emissions by economic sectors



Source: © Intergovernmental Panel on Climate Change 2014

Cities as a major pollution source

80%

percentage of global greenhouse gas emissions produced by cities

Industry as a large pollution source

21%

percentage of total global greenhouse gas emissions caused by the industrial sector

Reducing air pollution is an increasingly important topic in a globalized world. Many governments — in developed and emerging countries — have set new limits for emissions such as carbon dioxide (CO_2).

The amount of CO_2 in our atmosphere has risen drastically since preindustrial times. Cities produce about 80% of all greenhouse gas emissions such as CO_2. In recent years, governments have actively tried to put a stop to global warming. Tighter environmental regulations and restrictions force companies to look for new, more environment-friendly technology that improve air quality.

The industry is advancing technological solutions to mitigate climate change and to reduce carbon dioxide emissions. One way to prevent the release of CO_2 into the atmosphere is with carbon capture and storage (CCS). Sulzer offers pumps and mass transfer equipment that can be used in all stages of the CCS chain. The company's technology thus helps limit the adverse impact of CO_2 on the environment.

Cities and their industrial areas cause most of the emissions around the world. Germany (aerial photo of Düsseldorf) was able to reduce its greenhouse gas emissions in 2014; other countries are still seeking solutions to counter air pollution.

Capturing Emissions Where They Emerge

A carbon capture and storage (CCS) project in the USA aims to reduce the carbon dioxide (CO_2) emissions of a fossil fuel power plant by 90%. Sulzer provides the mass transfer technology required for the capturing process. The company's solutions help customers increase the efficiency of their equipment and lower their costs.

After China, the USA is the second-highest emitter of greenhouse gases (GHG) in the world. Most GHG emissions in the USA stem from power generation. The WA Parish power plant — located in Thompsons, TX, USA — is the largest fossil fuel plant in the USA and one of the largest CO_2 emitters.

CCS is one of the technologies that can help mitigate GHG emissions and aid in the responsible use of fossil fuels. In 2013, Petra Nova Holdings (a joint venture between NRG Energy and JX Nippon Oil & Gas Exploration) announced a carbon capture retrofit on one of the four coal-fired units of its Parish

Mellapak is the most widely used structured packing around the world. The column internals can take on enormous dimensions (picture on the right). Read more about Mellapak on page 21.

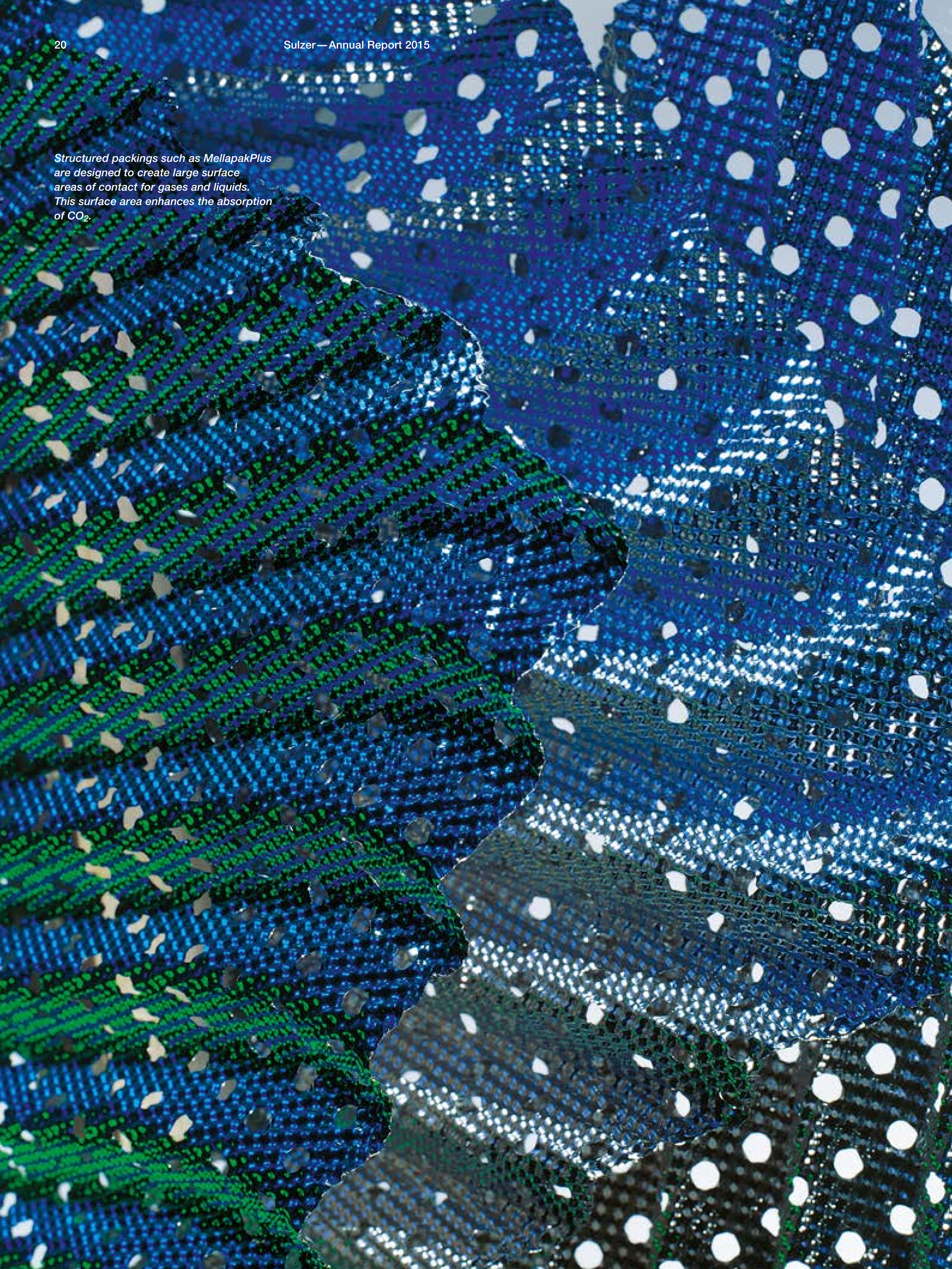
The carbon capture and storage demonstration unit at the Parish coal plant in Thompsons, TX, USA, is currently under construction. It is expected to go into service this year.

plant. After the retrofit, the world's largest post-combustion carbon capture unit will be able to capture 106 million tons of CO_2 per year. Designed as a demonstration plant, it aims to capture at least 90% of the CO_2 from the feed stream, which equals about 40% of this unit's capacity or 12% of the plant's total capacity. Furthermore, it will also reduce the emission of pollutants such as sulfur oxides (SO_x) and nitrogen oxides (NO_x). The project, which stands under the Department of Energy of the United States' Clean Coal Power Initiative, is expected to go into operation at the end of 2016.

Absorbing CO_2 more energy efficiently and cost effectively

In a fossil fuel power plant such as the Parish plant, CO_2 emerges during the process of burning fossil fuels. Before it is released into the atmosphere, the CO_2 is captured in an absorption column. The internals for such columns, such as the structured packings Mellapak™ and MellapakPlus™, are produced by Sulzer. These enable the efficient capture of CO_2 from the flue gas stream before it is released into the atmosphere. The captured CO_2 can then be safely stored underground or used for other purposes (e.g., enhanced oil recovery).

Normally, these columns are very large and use a lot of energy. Sulzer's structured packing reduces the column size, thus saving material, space, and cost. CCS process providers focus on decreasing energy costs wherever possible. With Sulzer's products, the pressure drop across the absorber can be reduced. As a result, less energy is needed for the operation of the plant. Customers benefit from lower capital and operational expenses.

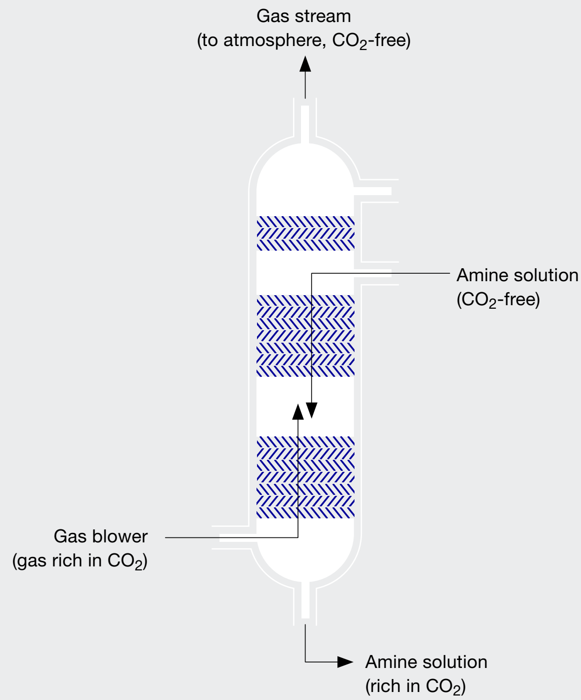


Structured packings such as MellapakPlus are designed to create large surface areas of contact for gases and liquids. This surface area enhances the absorption of CO_2.

CO_2 absorption column

Enabling CO_2 removal from gas stream with Mellapak

After the fossil fuels have been burned, the off-gas stream runs into an absorption column. In the column, so-called amine solutions come in contact with the gas stream and absorb CO_2. The larger the contact area, the more CO_2 is removed from the gas. The design of structured packings such as Mellapak creates large surface areas of contact for the gas and liquid, thus enhancing the absorption. This process results in a nearly CO_2-free gas stream and in amine solutions rich in CO_2. Mellapak packing is again used to treat the amine solution; the CO_2 is removed for storage and the amine liquid is recycled and reused in the process.



In the Petra Nova project, Sulzer engineers are confronted with additional and unique challenges: the shape, material, and dimension of the towers. Two of the towers are rectangular and constructed out of cement. While these features are reasonable from a manufacturing and design perspective, the Sulzer team had to review many of the mechanical strength calculations made for cylindrical columns. The very large size of the columns added to the challenge. However, the engineers were able to optimize the equipment in close collaboration with a project partner.

Offering solutions for various stages of the CCS chain

Sulzer has gained significant experience in providing mass transfer technology for CCS. The company has delivered column internals and engineering expertise for two of the largest CO_2 capture demonstration projects worldwide, among them the SaskPower Boundary Dam CCS project in Canada. With its technology, customers are able to treat large amounts of flue gas most effectively. This is even more important when considering that, in many cases, not only CO_2 needs to be separated from the gas stream, but NO_x and SO_x emissions as well.

In addition to mass transfer technology, Sulzer also offers pumps for various stages of the CCS chain. For example, these pumps can be used to circulate liquids in the capture process. Other application areas are the compression, transport (e.g., via pipelines), and injection of the captured CO_2.

In the case of the WA Parish power plant, the captured CO_2 will be used for enhanced oil recovery in the Gulf Coast region. Those responsible expect this will boost oil production from about 500 barrels per day to approximately 15000 barrels per day. Thus, besides enhancing the long-term viability and sustainability of power plants, it also profitably increases oil production.

Although CCS technology is still at an early stage, pilot projects around the world have demonstrated the effectiveness of the technology. Sulzer is liaising with customers and is involved at an early stage in the process design phase of such projects. The company is committed to seizing the opportunities emerging in this field.

GREATER NEED FOR ENERGY

With around 6500 inhabitants per square kilometer, Hong Kong, China, belongs to the world's most densely populated cities. Since urbanization is continuing and accelerating — particularly in emerging countries — the need for energy is growing.

Increase of global energy demand

37%

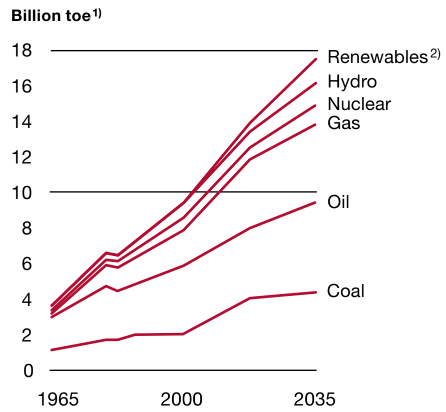
expected increase of global energy demand from 2013 to 2035

Cities as main consumer

75%

of global energy is used by cities

Global energy demand



[1] tonne oil equivalent [2] includes biofuels

Source: © BP p.l.c. 2015

Cities use the majority of all energy consumed globally. As urbanization continues — reinforced by the evolution of so-called megacities — the demand for energy will rise steadily.

Overall, one-fifth of the global population lives in developed countries. These countries account for half of all energy consumption. Because emerging countries are experiencing rapid urbanization, energy demand all over the world is growing even more. Society is increasingly aware of the negative implications that come with a greater need for energy.

Companies are looking for ways to preserve natural resources, and they are investing in more environment-friendly technology that helps save energy. Power plant operators all over the world are optimizing their sites in terms of efficiency. Sulzer's state-of-the-art technology enables its customers to achieve better performance in generating energy.

Saving Energy with Boiler Feed Pumps

Based on environmental regulations and cost considerations, power generation companies strive to optimize the efficiency of their plants. Sulzer is a trusted and well-experienced partner for particularly challenging assignments — as the example of the largest power plant in China shows.

China consumes 22% of the energy used around the world every day. This makes the country the largest consumer of energy in the world. At the same time, it is the largest energy producer.

Stringent environmental regulations are changing the power generation landscape around the globe. In an attempt to increase power generation while decreasing the environmental impact, China has been developing ultra-supercritical (USC) coal-fired power plants. The trend is to generate steam at higher pressures and temperatures and thus increase the efficiency of the power plant. Ultra-supercritical steam generation is the latest technology with even higher pressures and steam temperatures of above 600°C. Double-reheat technology is a further method of improving a plant's thermal efficiency. By heating the steam in the boiler twice, more energy is transferred. With increased steam parameters of up to 350 bar and 620ºC, double reheating allows for efficiencies of 48%. By comparison, with identical steam parameters, the best current single-reheat USC plants operate at a rate of around 46% efficiency. Since the increase of every percentage point leads to significant energy and cost savings, this improvement can have an important effect on customers' decisions.

Equipment for the largest power station in China

The Chinese Shenhua Beihai Power Plant — currently under construction — will use USC technology. After its completion in 2017, the plant will be the largest power station in China. Such plants use pumps for boiler feed, condensate extraction, and cooling water processes. Boiler feed pumps — normally high-pressure units — move water to the steam boiler. Because Sulzer is widely recognized as a supplier of highly efficient and reliable pumps in this sector, the Chinese customer ordered Sulzer's HPT boiler feed pumps for its plant.

Saving Costs with Integrated Service Offering

The growing energy demand causes not only technological challenges but also costs. In addition to improving the energy efficiency of their equipment, companies are also reducing the number of service suppliers. Providers who can offer multiple services are becoming the preferred partners for many projects.

NV Energy engaged Sulzer's service center in Phoenix, AZ, USA, for the removal, rebuild, and reinstallation of pump and motor units of its Goodsprings Energy Recovery Station. The waste heat power plant uses hot exhaust from a neighboring natural gas compressor station to generate electricity. Approximately 3000 Nevada households benefit from the waste energy generated by this plant.

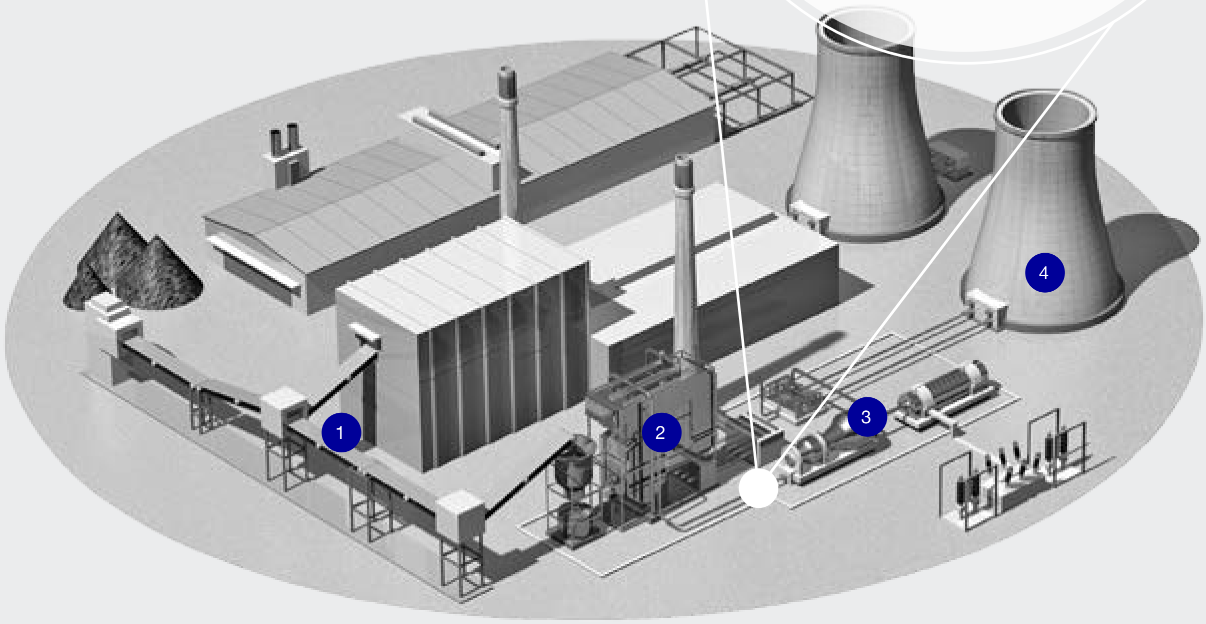
The customer avoids having several contact points for the service of different machines. Sulzer repairs both motor and pump in the same service center. Furthermore, the engineers will rebuild, inspect, and test the equipment on-site. This offering is possible because of the company's service integration, which started in 2014. All over the world, Sulzer is integrating its services for rotating electrical and mechanical equipment. This increases the company's competitiveness and enables Sulzer to offer even more innovative solutions from one access point.

Shenhua Beihai Power Plant

Boiler feed pump

620°C

Steam temperatures in the Beihai power plant can reach up to 620°C. Sulzer's boiler feed pumps are able to manage this challenge.



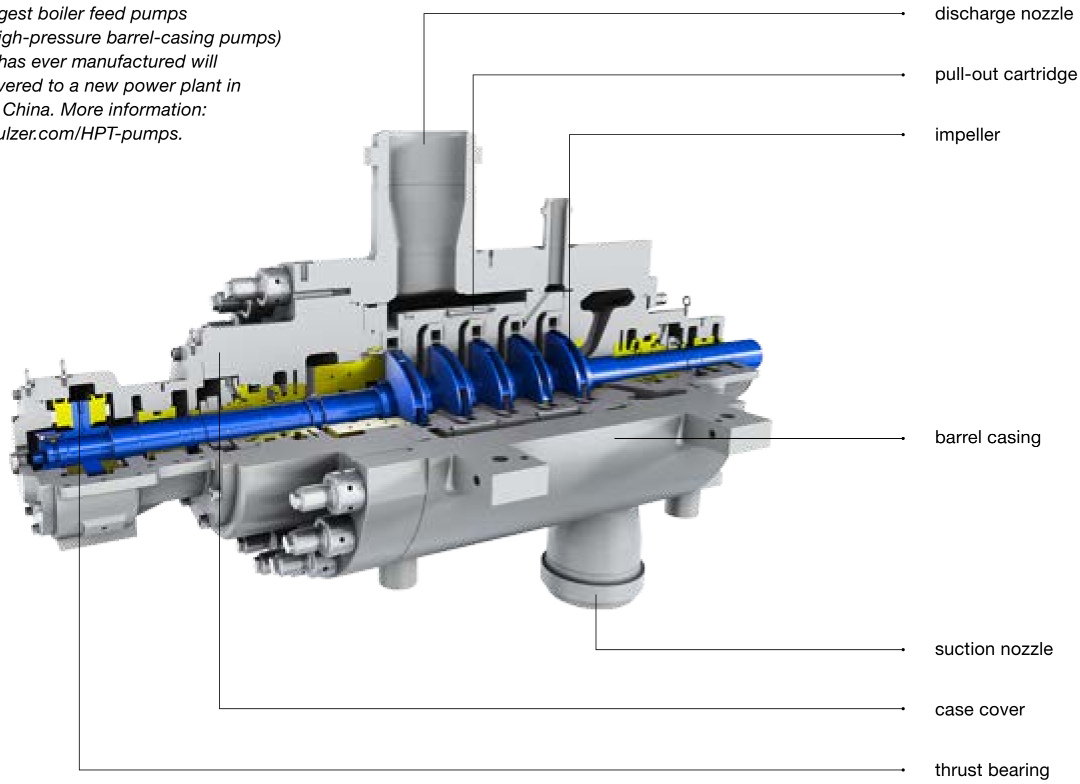
From coal to energy

In a coal-fired steam station, such as the Beihai power plant, water is converted into steam, which, in turn, drives turbine generators to produce electricity.

1. The coal is transported to the coal mill and is pulverized into a fine powder.
2. In the boiler, the coal is mixed with preheated air and is burned. The combustion process creates an enormous amount of heat. Inside the boiler, water circulates through pipes. The heat turns the water into steam.
3. The steam drives turbine blades and turns the steam turbine shaft. The latter is connected to the generator, which produces electricity.
4. The steam is then drawn into a condenser, which contains a network of tubes. Cool water from a nearby source, such as a river or lake, runs through the tubes and converts the steam back into water. Afterwards, boiler feed pumps return the condensed water to the boiler to repeat the entire cycle.

In its factory in Suzhou, China, Sulzer manufactures engineered pumps. The plant has extensive testing capabilities with four test beds, one test well for vertical pumps, and one high-energy test area.

The largest boiler feed pumps (HPT high-pressure barrel-casing pumps) Sulzer has ever manufactured will be delivered to a new power plant in Beihai, China. More information: www.sulzer.com/HPT-pumps.



The requirements for modern coal-fired plants of this size are challenging. The Beihai Power Plant will operate with steam temperatures between 600 and 650°C and pressure of up to 350 bar. At such high pressures and temperatures, the demands on the equipment are intense. First, the reliability of the equipment is of vital importance for the safe operation of the power plant. Second, the performance—especially of the pumps—plays a crucial role in the overall costs. Sulzer's engineers have designed the pumps to meet the heavy-duty performance needs in the Beihai plant.

The largest boiler feed pumps

The pumps delivered to Beihai are the largest boiler feed pumps Sulzer has ever manufactured. The main pump for Beihai has a capacity of 2840 tons per hour, with a 500 bar discharge pressure, and shaft power of over 40 MW. The pumps will be manufactured in Sulzer's Suzhou factory, which was opened in 2010 and employs more than 350 people. On 23000 m^2 floor space, Sulzer makes engineered pumps for the oil and gas and the power markets. During the project, the Suzhou factory received support from Sulzer sites across the globe. For example, the Suzhou factory worked with engineers from Winterthur, Switzerland, to select the appropriate pumps for the project. Furthermore, the factory involved the Pumps Equipment site in Leeds, UK, to find the most effective sourcing strategy for the pumps.

Sulzer has been operating in China for more than 100 years. Besides Suzhou, the company has manufacturing plants in Dalian, Shanghai, and Kunshan, and it runs several sales and service locations. China is planning to build further double-reheat power plants in the near future. Sulzer has supplied roughly 1000 boiler feed water pumps for various power plants—such as conventional, nuclear, biomass, and concentrated solar power plants—around the world. The company is experienced and able to advise its customers on the appropriate solutions.

A representative of the Shenhua Beihai Power Plant said, "Sulzer has outstanding references with large boiler feed pumps around the world and the successful operation of the Shenhua Wanzhou 2x1000 MW single-reheat power plant in China. We trust Sulzer's technology, engineering, and manufacturing capabilities."

SUSTAINABLE DEVELOPMENT

Today, roughly 3.5 million kilometers of pipelines are installed in about 120 countries. Pipelines offer a more sustainable and safer alternative to transport by road, railway, air, or sea. Sulzer is an innovative and social employer that focuses on reducing its environmental footprint. These factors are critical for sustainable business development.

The pressure and aspiration to be environmentally conscious is growing. Companies are looking for products and services that are more eco-friendly and sustainable. To counteract global warming, organizations need to manage their ecological footprint.

Sustainability includes not only environmental, but also social responsibility. As workforces and supply chains are spread across the globe, companies face challenges regarding safety, health, and equal opportunities for their employees.

Sulzer develops innovative, efficient, and eco-friendly solutions for customers and takes measures to reduce its own environmental footprint. The company provides employees with a safe and healthy work environment and offers opportunities for professional development.

Award

Sulzer won the international CPhI Pharma Award 2015 in the category “Innovation in Packaging” for its MIXPAC™ packaging and application system.

Acquisition in Morocco

Sulzer acquired the business of Expert International Pompe Service (EIPS) located in Casablanca, Morocco, enlarging its service offering in North Africa.

New Technology

With the acquisition of InterWeld Inc Ltd, Belfast, Northern Ireland, Sulzer added the full range of automated weld overlay services to its portfolio.

Acquisition in Saudi Arabia

In 2015, Sulzer completed the acquisition of Saudi Pump Factory. It now serves Saudi Arabian and Gulf Cooperation Council customers.

New Random Packing

Sulzer introduced the NeXRing™ random packing. It provides significant benefits in efficiency and capacity when compared to conventional random packing.

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New Pumps

Sulzer launched the SNS end-suction single-stage process pump range in 2015. Customers benefit from the highest efficiency rates and a reduced total cost of ownership.

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Acquisition in the USA

Sulzer acquired Precision Gas Turbine Inc., a leading independent service provider for gas turbines in Plantation, FL, USA. It thereby enhances its field service offering for customers in the power market.

Agreement

Sulzer has signed a worldwide framework agreement with Veolia Environnement, now providing premium-efficiency submersible and dry well pumps, mixers, and dedicated services.

Read more at www.sulzer.com/news

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Business Review

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 fold-out page.

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 fold-out page.

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 fold-out page.

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 fold-out page.

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 fold-out page.

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 (more on page 14). 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 fold-out page.

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

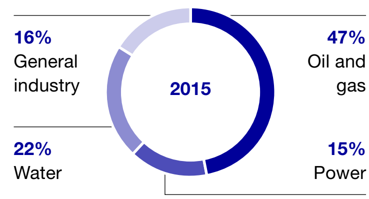
A working environment with a diverse workforce that includes factory workers, office personnel, and employees at customers' sites requires systematic safety management. In 2015, Pumps Equipment was able to decrease the frequency of its accidents (accident frequency rate; AFR) significantly by 38.5%. 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 48.

Key figures Pumps Equipment

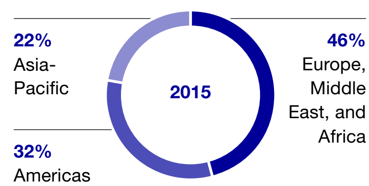
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	1 500.8	1 725.5	–13.0	–6.7
Order intake gross margin	34.2%	33.1%		
Order backlog	998.0	1 209.4	–17.5	
Sales	1 621.0	1 754.9	–7.6	–1.6
EBIT	62.8	–203.1		
opEBITA	118.1	160.6	–26.5	–19.4
opROSA	7.3%	9.2%		
opROCEA	15.8%	14.4%		
Employees (number 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 fold-out page.

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 (more on page 24). 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 fold-out page.

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

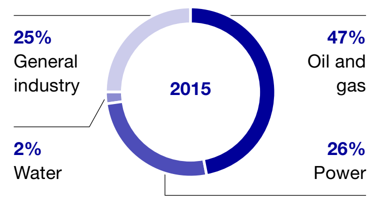
In 2015, the frequency of accidents (accident frequency rate; AFR) decreased by 13.8%. The company's safe behavior program (SBP), which focuses on minor and near-accident reporting as well as comprehensive root cause analysis, led to this improvement. The number of lost days per million working hours (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 48.

Key figures Rotating Equipment Services

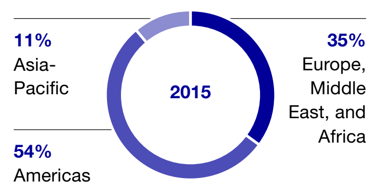
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	698.2	725.2	–3.7	–0.9
Order intake gross margin	30.5%	31.8%		
Order backlog	205.0	212.2	–3.4	
Sales	693.2	724.6	–4.3	–1.9
EBIT	51.4	65.1	–21.0	
opEBITA	70.8	64.5	9.8	8.8
opROSA	10.2%	8.9%		
opROCEA	16.8%	15.8%		
Employees (number of full-time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

[1] Adjusted for currency effects.

Sales by market segments



Sales by regions



See abbreviations on fold-out page.

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 45). 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 fold-out page.

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

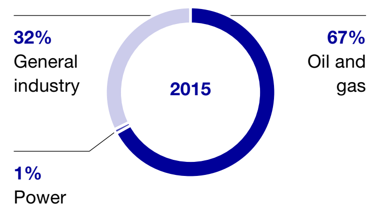
The Chemtech division lowered its accident frequency rate (AFR) significantly by 9.5%. However, this performance was clouded by a fatality; one employee died in an occupational accident while working at a client's site. Sulzer is profoundly dismayed by this fatality. Investigations to understand the 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 48.

Key figures Chemtech

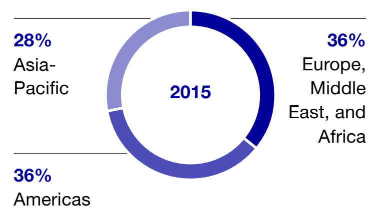
millions of CHF	2015	2014	+/–%	Change in +/–%[1]
Order intake	708.9	718.4	–1.3	1.4
Order intake gross margin	35.6%	35.7%		
Order backlog	307.7	282.0	9.1	
Sales	669.6	741.5	–9.7	–7.8
EBIT	33.5	78.4	–57.3	
opEBITA	67.4	93.6	–28.0	–25.5
opROSA	10.1%	12.6%		
opROCEA	16.6%	27.3%		
Employees (number of full-time equivalents) as of December 31	3 539	4 287	–17.4	

[1] Adjusted for currency effects.

Sales by market segments



Sales by regions



See abbreviations on fold-out page.

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 48) 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.

"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

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.

Number of patents

30

(2014: 36)

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.

R&D investments

CHF 73m

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

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.

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

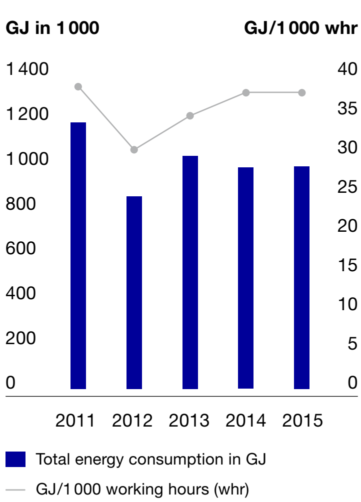
Sulzer aims to reduce its environmental footprint systematically. Decreasing energy consumption, greenhouse gas (GHG) emissions, production of waste, and water consumption are the company's focus areas. To achieve this goal, local sites have improvement programs in place. Moreover, the company adjusted 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.

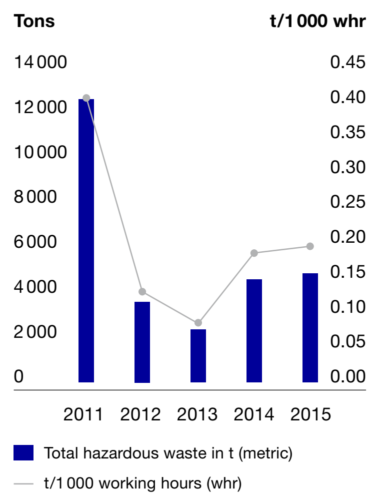
Overall, water consumption decreased by 17% in 2015. While 37% of the water used was for cooling purposes, 35% was process water. The consumption by m³/1 000 working hours decreased by 17%. So, the year-on-year rolling target to maintain or reduce the water consumption per 1 000 working hours was met.

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.

Hazardous waste



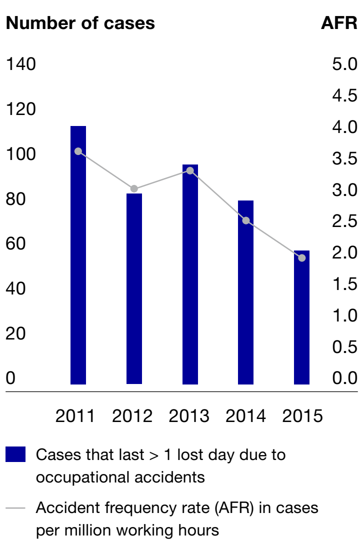
Find further sustainability data at www.sulzer.com/sustainability

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.

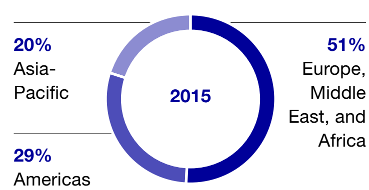
Facilitated processes thanks to global eHR tool

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 7500 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. Read more on corporate governance on page 51.

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	106610	81768	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	14253	15494	–8.0

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

History of sustainability at Sulzer

Sulzer has a long tradition of responsible action. The company builds on its strong industrial heritage and engineering competence. Sulzer aims to improve its economic, social, and ecological performance over time.

Year	Measures
1834	First statement on “getting it right the first time” from Johann Jakob Sulzer
1845	Sickness Benefit Association for factory workers
1870	Company-owned apprentice workshop for young craftsmen
1872	Society for low-cost housing construction
1890	First workers’ council in Switzerland
1919	Switzerland’s first regularly published customer magazine Sulzer Technical Review (STR)
1945	First working memberships in ISO committees
1988	Founding member of the European foundation for quality management (EFQM)
1990	First employee participation program
1991	First environmental policy
1992	Reissue of traditional quality principles, quality as “the attitude in all we do”
1993	Official launch of ISO 9001 certification campaign Start of environmental data collection
1995	First product life cycle analysis
1996	First external environmental report First ISO 14001 certificate
1997	First external social report Corporate values with important total quality elements
1998	Principles of cooperation
2000	Integrated QESH management systems based on ISO 9001:2000
2001	First comprehensive sustainability data collection
2002	Corporate values Code of Business Conduct SEED database for sustainability data collection First internal SA 8000 and OHSAS 18001 audits
2003	Corporate risk council First lean production initiative
2004	First external report on sustainability SEED light database for smaller sites
2005	QESH as a key process for operational excellence Program for Development and Impact (PDI)
2007	Health and safety awareness program SEED mini database for service sites
2008	First GRI A+ rating for the Sulzer Sustainability Report Sulzer safety rules New competency framework
2009	Sulzer core values New employer branding strategy Sustainability Council established
2010	First environmental product declarations (EPD) Corporate-wide LEAN platform to foster organizational excellence
2011	Global employee engagement survey Corporate-wide initiative to increase diversity
2012	New strategic priorities Rollout of global Safe Behavior Program (SBP)
2013	Consolidation of financial and extrafinancial reporting platforms onto SAP-BPC initiated
2014	Global employee engagement survey Consolidation of financial and extrafinancial reporting platforms onto SAP-BPC completed
2015	First time to achieve an accident frequency rate below two cases per million working hours Extension of environmental reporting scope

Corporate Governance

Committed to the Principles of Good Corporate Governance

Sulzer is committed to the principles of good corporate governance. They ensure a sound balance of power and support the company in creating sustainable value for its various stakeholders.

In brief

Core principles

The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer is subject to Swiss corporate and stock exchange laws and applies the Swiss Code of Best Practice for Corporate Governance.

See page 54

Board composition

The Board of Directors comprises seven members. Each member is elected individually. The term for members of the Board of Directors is one year. Except for the elections reserved to the Shareholders' Meeting, the Board of Directors constitutes itself. It appoints from among its members the Vice Chairman of the Board of Directors and the members of the Board committees (except for the members of the Nomination and Remuneration Committee who are elected by the Shareholders' Meeting).

See pages 55–57

Committees of the Board

There are three standing committees within the Board of Directors:

- The Audit Committee assesses the midyear and annual accounts and the activities of the internal and external auditors, the Internal Control System (ICS), and risk management.
- The Nomination and Remuneration Committee assesses the criteria for the election and reelection of Board members and nominations for the top two management levels. It also deals with succession planning, compensation systems, and compensation for the members of the Board of Directors and the Executive Committee.
- The Strategy Committee advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances, and joint ventures) as well as strategic planning and definition of development priorities.

See pages 57–60

Changes

The following changes occurred in the Board of Directors and the Executive Committee:

- Luciano Respini, member of the Board of Directors since April 2004, did not stand for reelection at the Annual General Meeting of April 1, 2015.
- Gerhard Roiss was newly elected as a member of the Board of Directors at the Annual General Meeting of April 1, 2015.
- All other Board members were reelected for terms of one year.
- Fabrice Billard was appointed Chief Strategy Officer and member of the Executive Committee as of March 1, 2015.
- Klaus Stahlmann resigned as Chief Executive Officer on August 10, 2015.
- Thomas Dittrich was appointed Chief Executive Officer ad interim (in addition to his role as Chief Financial Officer and member of the Executive Committee) as of August 10, 2015. He fulfilled this function until November 30, 2015.
- Greg Poux-Guillaume was appointed Chief Executive Officer as of December 1, 2015.

See pages 55, 64

Sulzer Ltd is subject to the laws of Switzerland, in particular Swiss corporation and stock exchange law. The company also applies the Swiss Code of Best Practice for Corporate Governance. The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer has had a single share class and has separated the functions of Chairman of the Board of Directors and CEO for many years. Since the Annual General Meeting of April 8, 2009, only individuals who have never held executive positions at Sulzer have been members of the Board of Directors. Unless otherwise indicated, the following information refers to the situation on December 31, 2015. Further information on corporate governance is published at www.sulzer.com/corpgov. The information in the following section is set out in the order defined by the SIX Swiss Exchange guidelines on corporate governance information (RLCG), with subsections summarized as far as possible. Sulzer's consolidated financial statements comply with International Financial Reporting Standards (IFRS), and in certain sections, readers are referred to the Financial Section in the Sulzer Annual Report 2015. The Compensation Report can be found on pages 71 to 92.

1 Corporate Structure and Shareholders

Corporate structure

The operational corporate structure is shown in the graphic on page 60 and in the segment reports in the Financial Section on pages 125 to 127 (note 7). Sulzer Ltd is the only Sulzer company listed on a stock exchange. It is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891/ISIN CH0038388911). On December 31, 2015, the market capitalization of all registered shares was CHF 3 232 654 600. Information on the major subsidiaries included in the consolidation can be found under note 37 on pages 152 to 155 of the Financial Section.

Significant shareholders

According to notifications of Sulzer shareholders, two shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2015. On December 8, 2015 (published on the SIX disclosure platform on December 16, 2015), Victor Vekselberg held 63.42% of Sulzer shares. The shares are directly held by Liwet Holding AG and Tiwel Holding AG. Both are part of the Renova Group. On February 16, 2015 (published on the SIX disclosure platform on February 25, 2015), T. Rowe Price Associates, Inc., held 3.06% of Sulzer shares. For detailed information, see the respective disclosure notifications on www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. For the positions held by Sulzer and information on shareholders, see note 24 in the Financial Section (page 144). There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 3%.

2 Capital Structure

Share capital

The fully paid-up share capital of Sulzer Ltd amounts to CHF 342 623.70 and is divided into 34 262 370 registered shares with a par value of CHF 0.01 per share. Each registered share entitles the holder to one vote at the Shareholders' Meeting. There is neither any authorized nor conditional capital, nor are there any participation or dividend certificates. The latest version of the Articles of Association can be viewed at www.sulzer.com/regulations. Information on capital changes can be found in the Financial Statements of Sulzer Ltd (page 160).

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees shall only be entered in the share register with the right to vote if they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into a written agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses, and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register if the abovementioned conditions are met (see also paragraph 6a of the Articles of Association at www.sulzer.com/regulations). On December 31, 2015, ten nominees holding a total of 1 824 623 shares (5.33% of total shares) had entered into agreements concerning their status. No exceptions have been granted. All of those shares have been entered in the share register with voting rights. There are no transfer restrictions and no privileges under the Articles of Association. A removal or amendment of the transfer restriction requires a shareholders' resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the options issued to members of the Board of Directors and the Executive Committee (from 2002 up to and including 2008) and restricted stock units (from 2009) as well as performance share units issued to the members of the Executive Committee (in 2010 and yearly as from 2013) are set out in the Financial Section under note 33 (pages 150 to 151) and in the Financial Statements of Sulzer Ltd under note 9 (pages 165 to 166).

3 Board of Directors

None of the members of the Board of Directors has ever belonged to the management of a Sulzer company or to the Executive Committee, nor do any significant business relationships exist between members of the Board of Directors and Sulzer Ltd or a subsidiary of Sulzer Ltd. Exceptions are Peter Löscher and Marco Musetti who have a close relationship with Sulzer's largest shareholder; both are employees of Renova Management AG. Peter Löscher is Chief Executive Officer and Delegate of the Board of Directors of Renova Management AG. Business relationships in the low-double-digit-million range exist with companies that are directly or indirectly controlled by the Renova Group. For further information, see Financial Section, note 33 on pages 150 to 151. There are no interlocking directorships.

Elections and terms of office

The Articles of Association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. Each member is elected individually. The term for members of the Board of Directors is one year. Luciano Respini, member of the Board of Directors since April 2004, did not stand for reelection at the Annual General Meeting of April 1, 2015. Gerhard Roiss was newly elected as a member of the Board of Directors at the Annual General Meeting of April 1, 2015. All other Board members were reelected for terms of one year. Accordingly, as of April 1, 2015, the Board of Directors comprises seven members: three from Austria, one from Italy, one from Singapore, and two from Switzerland. Professional expertise and international experience played a key role in the selection of the members. The members of the Board of Directors are presented on pages 58 to 59 and their CVs can be viewed at www.sulzer.com/board.

According to the Board of Directors and Organization Regulations, the term of office of a Board member ends no later than on the date of the Annual General Meeting in the year when the member reaches the age of 70. The Board of Directors can make exceptions up to but not exceeding the year in which the member reaches the age of 73.

Internal organization

The Board of Directors constitutes itself, except for the Chairman of the Board of Directors who is elected by the Shareholders' Meeting. The Board of Directors appoints from among its members the Vice Chairman of the Board of Directors and the members of the Board committees, except for the members of the Nomination and Remuneration Committee, who are elected by the Shareholders' Meeting. In the Board meeting following the Annual General Meeting of April 1, 2015, Matthias Bichsel was appointed as Vice Chairman. There are currently three standing Board committees: the Audit Committee (AC), the Nomination and Remuneration Committee (NRC), and the Strategy Committee (SC); for their constitutions, see page 57. The Board of Directors and Organization Regulations and the relevant Committee Regulations, which are published at www.sulzer.com/regulations, define the division of responsibilities between the Board of Directors and the CEO. They also define the authorities and responsibilities of the Chairman of the Board of Directors and of the three standing Board committees.

Operating principles of the Board of Directors and its committees

All decisions are made by the full Board of Directors. For each application, written documentation is distributed to the members of the Board of Directors prior to the meeting. The Board of Directors and the committees meet as often as required by circumstances. The Board of Directors meets at least six times per year, the Audit Committee and the Nomination and Remuneration Committee meet at least three times per year, and the Strategy Committee meets at least twice a year. In 2015, the Board held one full-day meeting, three half-day meetings, and nine shorter Board meetings. The latter lasted about one hour on average. For further details, see the table below. The CEO, the CFO, and the Group General Counsel (who is the Secretary of the Board of Directors) also generally attend the Board meetings in an advisory role. Other members of the Executive Committee are invited to attend Board meetings as required to discuss the midterm planning, the strategy, and the budget, as well as division-specific items (such as large investments and acquisitions).

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

Board of Directors

					Attending meetings of the			
Name	Nationality	Position	Entry	Elected until	Board	AC	NRC	SC
Peter Löscher	Austria	Chairman, Chairman SC	March 2014	2016	14			8
Matthias Bichsel	Switzerland	Vice Chairman of the Board[1], Member SC	March 2014	2016	14			8
Gerhard Roiss[1]	Austria	Member SC	April 2015	2016	10			5
Jill Lee	Singapore	Member AC, NRC[1]	April 2011	2016	13	4	4	8
Thomas Glanzmann	Switzerland	Chairman NRC, Member SC	April 2012	2016	14		6	7
Marco Musetti	Italy	Member AC, NRC	April 2011	2016	13	4	6	7
Luciano Respini[2]	Italy	Vice Chairman of the Board[2], Member NRC, SC	April 2004	2015	3		2	1
Klaus Sturany	Austria	Chairman AC	August 2009	2016	13	4		8

AC = Audit Committee, NRC = Nomination and Remuneration Committee, SC = Strategy Committee

[1] as of April 1, 2015.

[2] until April 1, 2015.

The Board of Directors and its committees

Board of Directors

Peter Löscher (Chairman)
Matthias Bichsel (Vice Chairman)
Klaus Sturany
Thomas Glanzmann
Jill Lee
Marco Musetti
Gerhard Roiss

Audit Committee	Nomination and Remuneration Committee	Strategy Committee
Klaus Sturany (Chairman)	Thomas Glanzmann (Chairman)	Peter Löscher (Chairman)
Jill Lee	Jill Lee	Matthias Bichsel
Marco Musetti	Marco Musetti	Thomas Glanzmann
		Gerhard Roiss

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

According to Sulzer's Articles of Association, the maximum number of additional mandates held by members of the Board of Directors outside the Sulzer group is ten (of which, a maximum of four mandates may be with listed companies). Exceptions (e.g., for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association.

Audit Committee

The Audit Committee (members listed above) assesses the midyear and annual consolidated financial statements and, in particular, the activities — including effectiveness and independence — of the internal and external auditors, as well as the cooperation between the two bodies. It also assesses the Internal Control System (ICS), risk management, and compliance; at least one meeting per year is dedicated to risk management and compliance. The regulations of the Audit Committee can be viewed at www.sulzer.com/regulations. The CEO, the CFO, the Group General Counsel (at least partially), the Head of Group Internal Audit (who is also the Secretary of this committee), and the external auditor-in-charge, attend the meetings of the Audit Committee. In 2015, the Audit Committee held four meetings. The external auditor-in-charge attended all of these meetings. Internal experts, such as the Group General Counsel and the Heads of Group Internal Audit, Group Accounting, Group IT, Group ESH, Group Compliance and Risk Management, and Group Taxes gave presentations to the Audit Committee in 2015.

In February, the Audit Committee receives and discusses a report addressing the exposures (results of periodic risk assessments) and compliance cases of the prior year. In September, the Audit Committee is briefed on the present state of risk management within the company and on the results of the risk management process — a process to systematically identify and evaluate significant risks and introduce countermeasures. In the same meeting, an update on Sulzer's compliance approach, including the respective ongoing and planned activities, is provided. During each meeting, the major current compliance cases (if any) are reported to and discussed by the Audit Committee.

Board of Directors

The Sulzer Board of Directors consists of seven members who are elected individually for one-year terms. None of them has ever held an executive position at Sulzer. Gerhard Roiss was elected as new member of the Board of Directors in April 2015. Luciano Respini did not stand for reelection at the Annual General Meeting 2015.

Peter Löscher
Born in 1957, Austria
Joined the Board of Directors in 2014
Chairman of the Board of Directors/
Chairman of the Strategy Committee

Klaus Sturany
Born in 1946, Austria
Joined the Board of Directors in 2009
Chairman of the Audit Committee

Matthias Bichsel
Born in 1954, Switzerland
Joined the Board of Directors in 2014
Vice Chairman of the Board of Directors/
Member of the Strategy Committee

Gerhard Roiss
Born in 1952, Austria
Joined the Board of Directors in 2015
Member of the Strategy Committee

Thomas Glanzmann
Born in 1958, Switzerland
Joined the Board of Directors in 2012
Chairman of the Nomination and Remuneration Committee/
Member of the Strategy Committee

Jill Lee
Born in 1963, Singapore
Joined the Board of Directors in 2011
Member of the Audit Committee/
Member of the Nomination and Remuneration Committee

Marco Musetti
Born in 1969, Italy
Joined the Board of Directors in 2011
Member of the Audit Committee/
Member of the Nomination and Remuneration Committee

For full CVs, go to: www.sulzer.com/board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (members listed on page 57) assesses the criteria for the election and reelection of Board members and the nomination of candidates for the top two management levels. It deals with succession planning. It also regularly assesses the compensation systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets for the latter) on behalf of the Board of Directors and in accordance with its specifications. It carries out broadly based compensation benchmarks with an international comparison group, supported by studies of consulting firms such as Mercer and Towers Watson, and it scrutinizes the work of internal and external consultants. The members of the Nomination and Remuneration Committee are elected by the Shareholders' Meeting. The regulations of the Nomination and Remuneration Committee can be viewed at www.sulzer.com/regulations. The CEO and the Head of Group Human Resources (who is also the Secretary of this committee) attend the meetings of the Nomination and Remuneration Committee. In 2015, six meetings were held. External experts from Towers Watson provided benchmarking services (see Compensation Report, pages 71 to 92) and supported the Nomination and Remuneration Committee in reviewing the compensation packages of the members of the Board of Directors and the Executive Committee.

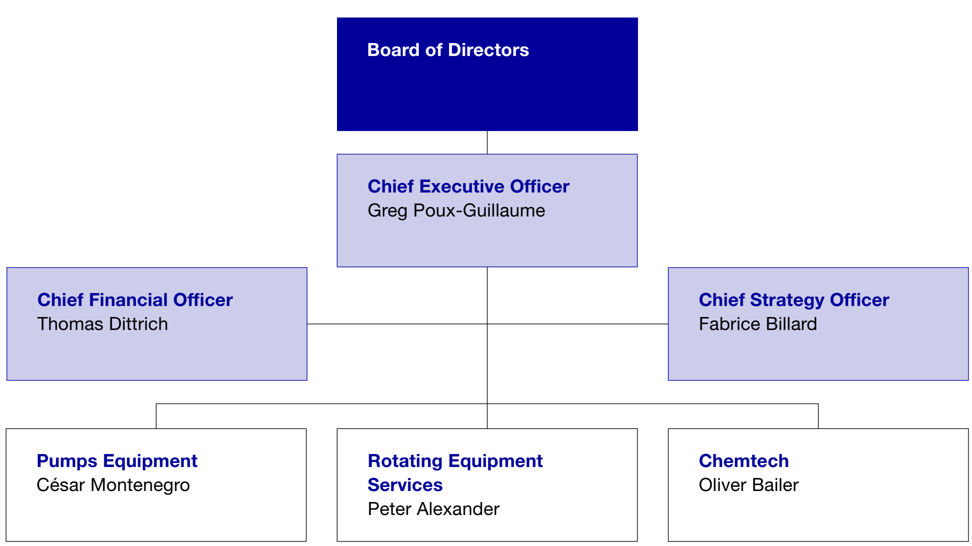
Strategy Committee

The Strategy Committee (members listed on page 57) advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances, and joint ventures) as well as strategic planning and definition of development priorities. The regulations of the Strategy Committee can be viewed at www.sulzer.com/regulations. In 2015, eight meetings took place. The CEO, the CFO, and the three Division Presidents attended all eight meetings. The Chief Strategy Officer (CSO) attended seven and the Group General Counsel attended three of these meetings.

Division of powers between the Board of Directors and the CEO

The Board of Directors has largely delegated executive management powers to the CEO. However, it is still responsible for matters that cannot be delegated in accordance with Art. 716a of the Swiss Code of Obligations. These matters include corporate strategy, the approval of midterm planning, and the annual budget,

Organizational structure



as well as key personnel decisions and the creation of the compensation report. The same applies to acquisition and divestiture decisions involving an enterprise value exceeding CHF 15 million or CHF 20 million respectively, investments in fixed assets exceeding CHF 15 million, major corporate restructurings, approval of dispute settlements with an impact on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million, as well as other matters relevant to the company, and decisions that must be made by law by the Board of Directors (including those defined in the Swiss Mergers Act). The competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the organizational regulations at www.sulzer.com/regulations.

Information and control instruments

Each member of the Board of Directors receives a copy of the monthly financial statements (January to May and July to November), plus the midyear and annual financial statements. These include information about the balance sheet, the income and cash flow statements, and key figures for the company and its divisions. They incorporate comments on the respective business results and a six-month rolling forecast of the key figures. The CEO and CFO report at every Board meeting on business developments and all matters relevant to the company; once each year, the Board receives the forecasted annual results. During these meetings, the chairmen of the committees also report on all matters discussed by their committees and on the key findings and assessments, and they submit proposals accordingly. Each year, the Board of Directors discusses and approves the budget for the following year, and every three years it establishes a midterm plan, which is also subject to periodic review. The Chairman of the Board of Directors regularly consults the CEO and other representatives of the Executive Committee. In addition, the Board of Directors receives an investor relations status update within the monthly reporting.

Group Internal Audit

Group Internal Audit reports functionally directly to the Chairman of the Audit Committee, but administratively to the CFO. Meetings between internal audit and external auditors take place regularly. They are used to prepare for the meetings of the Audit Committee, to review the interim and final reports of the external auditors, to plan and coordinate internal and external audits, and to prepare audit instructions for the attention of external auditors of the individual companies. Group companies are audited by Group Internal Audit based on an audit plan that is approved by the Audit Committee. Depending on the risk category, such audits are carried out on a rotational basis either annually or every second, third, or fourth year. Group Internal Audit carried out 31 audits in the year under review. One of the focal points is the Internal Control System (ICS). The results of each audit are discussed in detail with the companies and (where necessary) the divisions concerned, and key measures are agreed upon. The Chairman of the Board of Directors, the members of the Audit Committee, the CEO, the CFO, the Group General Counsel, as well as the respective Division President and other line managers of the audited unit receive a copy of the audit report. The key measures agreed upon are also presented to and discussed with the CEO, the CFO, the Group General Counsel, and the Division Presidents during the monthly Executive Committee meetings. Twice a year, the divisions present the status of key measures agreed on. A follow-up process is in place for all Group internal audits, which allows efficient and effective monitoring of how the improvement measures are being implemented. Each year, the Head of Group Internal Audit compiles a report summarizing activities and results. This report is distributed to members of the Board of Directors and the members of the Executive Committee, and it is presented to the Executive Committee and the Audit Committee. It is discussed in both committees and thereafter reported to the Board of Directors.

Risk management and compliance

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

Strong values and setting an ethical organizational tone

Sulzer puts a high priority on carrying out its business with integrity, in compliance with all applicable laws and internal rules (“a clean deal or no deal”), and on accepting only reasonable contractual risks. The Board of Directors and the Executive Committee are convinced that compliant and ethical behavior in all aspects and on all levels is a precondition for a successful and sustainable future. The ethical tone must be set at the top, carry through to the middle, and be transmitted to the entire organization. Sulzer also fosters a speak-up culture and encourages employees to address potentially non-compliant behaviors.

Risk assessment

As part of Sulzer’s integrated risk management process, compliance risks are assessed regularly, and the results are discussed both with the management within the Sulzer Risk Council and with the Audit Committee. The Audit Committee dedicates at least one full meeting per year to risk management and compliance. An overview of the main risks and corresponding mitigation measures is provided on pages 68 to 69.

Internal rules and tools

In 2010, Sulzer introduced a new Code of Business Conduct, which can be viewed at www.sulzer.com/regulations in 19 languages. Every employee of the company (including employees of newly acquired businesses) has to confirm in writing that he or she has read and understood this code and will comply with it. Every member of the Sulzer Management Group (approximately 100 managers) as well as the heads of all operating companies and all headquarters, regional, and local compliance officers must reconfirm this compliance commitment in writing annually. Furthermore, Sulzer joined the UN Global Compact initiative in 2010. The Communication on Progress Report for the year 2014 was published in 2015 and can be downloaded at www.sulzer.com/sustainability.

Rules

Although Sulzer follows a behavior- and principle-based approach, it still requires internal rules that discuss boundaries, define processes, and provide guidance and decision support. Sulzer focuses on the major compliance risks, e.g.:

- Bribery and corruption risks: Sulzer has had antibribery and anticorruption guidelines in place since 2010. Further measures include a web-based process that addresses the due diligence of intermediaries, a corporate-wide directive that sets maximum levels for offering and receiving gifts and hospitalities, and an e-training (in 13 languages) to familiarize Sulzer employees with the content of the directive. In 2015, face-to-face training was conducted by local compliance officers at 36 locations.
- Antitrust and anticompetition risks: Sulzer has an antitrust guideline and a directive addressing behaviors in trade association in place. Employees representing Sulzer in trade association meetings have to sign a compliance declaration.
- Export control risks: Employees involved in export activities have to abide by export control policies and take part in an e-training in trade compliance. In 2015, Sulzer rolled out and implemented its global Trade Control Directive in all legal entities concerned.
- Further risks (e.g., stock exchange laws, human-resource-related issues, intellectual property and know-how, privacy and data protection laws, product liability, environmental, quality, and health, etc.): Focused rules and processes address these and many other potential risks. Sulzer has processes that ensure compliance with insider laws as well as stock exchange reporting and notification duties.

Tools

Because of the speak-up culture it strongly fosters, Sulzer set up a hotline that provides employees with one of many options for reporting (potential) violations of the laws or internal rules. Reports can be made anonymously or openly via a free hotline or a dedicated website. The company also introduced a directive that further improves internal reporting of compliance cases and sets minimum standards for internal investigation in 2012. Further tools are available to all employees on Sulzer’s intranet (e.g., presentations addressing the major exposures; draft agreements; sales and procurement handbooks with compliance-specific explanations and standard clauses). In 2014, a compliance risk assessment process was established to identify and assess potential compliance risks on a local entity level and to define appropriate measures. Local compliance risk assessments were performed at 24 locations throughout 2015. The compliance risk assessment results will also be used to shape the 2016 Sulzer compliance program and to set the priorities in the fields of prevention, detection, and response.

Organization

As part of the organizational changes at Sulzer in 2013, a “Legal, Compliance, and Risk Management” group function was established (headed by the Group General Counsel). Within this organization, a line reporting structure was established for the three regions: Americas (AME); Europe, Middle East, and Africa (EMEA); and Asia-Pacific (APAC). The local Compliance Officers ultimately report — via Regional Compliance Officers — to the Group General Counsel (who is also the Chief Compliance Officer) in this structure. In addition, the headquartered Compliance and Risk Management team steers and runs the group-wide compliance program. The Head of Risk Management and Compliance also reports to the Group General Counsel. To ensure the consistent rollout of Group Compliance initiatives, a dotted reporting line exists between the Regional Compliance Officers and the Head of Compliance and Risk Management. The Sulzer Risk Council, comprising the CFO, the Group General Counsel, the Head of Internal Audit, the Head of Compliance and Risk Management, and representatives of other Group functions held one meeting in 2015. The Sulzer Risk Council’s tasks mainly include formulating and maintaining adequate risk management policies, systems, and guidelines; initiating and coordinating risk management activities; and advising the CEO and the Executive Committee on matters relating to risk management. Each member of the Executive Committee receives a copy of the minutes of the Sulzer Risk Council.

The Group General Counsel informs the Board of Directors and the Executive Committee regularly about legal matters and key changes in legislation that may affect Sulzer, as well as on important litigation. Twice a year, the Audit Committee receives a report about any pending or threatened litigation with worst-case exposure exceeding CHF 0.5 million. Further information on reports to the Audit Committee is provided under Audit Committee on page 57.

Awareness building and trainings

Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (two to three new programs are rolled out every year), in person, or through web conferences. In 2015, a “train the trainers” course was provided to the compliance officers in order to allow for the transfer of training contents to the local entities. In 2015, Sulzer employees completed over 22 000 e-learning courses, and the company conducted web conferences on specific compliance matters.

Controls and sanctions

Headquarters Legal carried out 12 legal audits in 2015. These audits were conducted within the framework of the audits done by Group Internal Audit and focused on contractual risks. The results of the audits were discussed with the responsible managers. Measures were agreed upon. Implementation of these measures is monitored (follow-up process; see Group Internal Audit on page 61). Group Function Environment, Safety, and Health (ESH) carried out 11 audits and organized seven external health and safety compliance audits. The focal points were primarily environmental protection and workplace safety. The results of each of these audits were discussed directly with the responsible managers, and an agreement was reached on any improvements required. The latest status of the company’s risks relating to environment, safety, and health is reported to the Audit Committee once a year. Apart from these formal audits, many internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls, or other avenues of communication) were carried out during 2015 and at least nine employees had to leave Sulzer because of non-compliant behavior with Sulzer’s Code of Business Conduct. Others received warnings or were transferred internally. However, most of the reports received concerned non-material issues.

Continuous improvement

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

4 Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Strategy Officer (CSO; since March 1, 2015), and the Division Presidents. The Board of Directors delegates executive management powers to the CEO. The CEO delegates the appropriate powers to the Division Presidents. The Division Presidents define and attain business targets for their respective divisions in accordance with group-wide goals. The Board of Directors and Organization Regulations govern, among other things, the transfer of responsibilities from the Board of Directors to the CEO. This regulation can be viewed at www.sulzer.com/regulations. The CFO supports the CEO in his corporate management tasks. There are no management contracts with third parties. None of the Executive Committee members has a contract with a notice period exceeding 12 months.

The members of the Executive Committee are presented on pages 66 to 67 and their CVs can be viewed at www.sulzer.com/management.

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

No member of the Executive Committee may hold more than five mandates, of which no more than one may be in listed companies. Exceptions (e.g., for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association.

5 Compensation Report

Information on the compensation of the Board of Directors and the Executive Committee can be found in the Compensation Report (pages 71 to 92).

6 Shareholder Participation Rights

Restrictions and representation of voting rights

Only nominees are subject to restrictions (see Capital Structure, page 54). No exceptions were granted during the reporting year, and no measures to remove these restrictions are planned. According to the Articles of Association, a shareholder may be represented at a Shareholders' Meeting by its legal representative, another shareholder with the right to vote, or the independent proxy. Shares held by a shareholder may be represented by only one person.

Statutory quorum

Changes to the Articles of Association may only be approved by a majority of at least two-thirds of the voting rights represented at the Shareholders' Meeting; share capital increases are carried out, however, upon an absolute majority of the votes represented. The dissolution or a merger of the company can only be decided upon if at least half the shares issued are represented at the Shareholders' Meeting and two-thirds thereof vote in favor of the corresponding proposal (see also paragraph 16 of the Articles of Association).

Convocation of the Shareholders’ Meeting and submission of agenda items

The applicable regulations are in line with the applicable law regarding the convocation of a Shareholders’ Meeting. Shareholders representing at least 2% of the share capital may submit items for inclusion on the agenda of a Shareholders’ Meeting. Such submissions must be requested in writing at least two months prior to the meeting and must specify the agenda items and proposals of the shareholder concerned.

Entry in the share register

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

Independent proxy

At the Annual General Meeting of April 1, 2015, Proxy Voting Services GmbH was elected as the independent proxy for a term of office extending until completion of the next Annual General Meeting.

7 Takeover and Defense Measures

The Articles of Association contain no opting-out or opting-up clauses. None of the contracts with members of the Board of Directors contains a change of control clause. The contracts of the members of the Executive Committee who joined the Executive Committee before April 2009 contain a remuneration clause provided the contract is terminated or the member’s function is changed considerably within 18 months after a change of control (see Compensation Report, pages 71 to 92). If there is a change of control (which, for members of the Executive Committee, also includes a replacement of the majority of the members of the Board of Directors) or a public takeover bid that is not supported by the Board of Directors, all allocated restricted stock units (RSU) are automatically vested and the performance share units (PSU) are automatically converted into shares on a pro rata basis without being subject to blocking restrictions.

8 Auditors

The statutory auditor is elected at the Annual General Meeting for a one-year term of office. Since 2013, KPMG AG acts as the statutory auditor. The acting external auditor-in-charge is François Rouiller (since March 27, 2013). The external auditor-in-charge is replaced every seven years. The Audit Committee is in charge of supervising and monitoring the statutory auditor, and it reports to the Board of Directors (see Board of Directors, page 55). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The external auditor-in-charge is invited to attend meetings of the Audit Committee. In 2015, he attended four Audit Committee meetings. The Audit Committee or its Chairman meets separately with the Head of Group Internal Audit and the external auditor-in-charge at least once a year to assess (among other things) the independence of the internal and external auditors. The Audit Committee evaluates the work done by the auditors based on the documents, reports, and presentations provided by the auditors, as well as on the materiality and objectivity of their statements. To do so, the committee gathers the opinions of the CFO and the Head of Group Internal Audit. The Audit Committee reviews the fee paid to the auditor regularly and compares it with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO and approved by the Board of Directors. Further information on the auditor, in particular the auditor’s fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed in the Financial Section under note 34 (page 151). All advisory services provided outside the statutory audit mandate (essentially, consulting services related to audit and accounting as well as legal and tax advisory services) are compliant with the applicable independence rules.

Executive Committee

The Sulzer Executive Committee consists of the CEO, the CFO, the Chief Strategy Officer (CSO), and the three Division Presidents. Greg Poux-Guillaume was appointed new CEO in November, effective December 1, 2015. 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. Fabrice Billard joined the Executive Committee as CSO in March.

Greg Poux-Guillaume
Born in 1970, France
Joined the Executive Committee in 2015
Chief Executive Officer

Thomas Dittrich
Born in 1964, Switzerland/Germany
Joined the Executive Committee in 2014
Chief Financial Officer

Fabrice Billard
Born in 1970, France
Joined the Executive Committee in 2015
Chief Strategy Officer

César Montenegro
Born in 1953, Venezuela/USA
Joined the Executive Committee in 2008
Division President Pumps Equipment

Peter Alexander
Born in 1958, USA
Joined the Executive Committee in 2005
Division President Rotating Equipment Services

Oliver Bailer
Born in 1967, Switzerland
Joined the Executive Committee in 2013
Division President Chemtech

For full CVs, go to: www.sulzer.com/management

Enterprise Risk Management Process to Take Risk-Conscious Decisions

With its enterprise risk-management (ERM) system, Sulzer has an integrated risk-management system in place allowing the company to take targeted and risk-conscious decisions.

Risk	Risk exposure	Main loss controls
External and markets		
Market assessment	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	— Continuous monitoring and assessment of market developments — Systematic midrange planning based on market developments and expectations
Geopolitical shocks	A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.	— Monitoring of exposure in critical countries — Monitoring of debt situation of countries and banks — Continuous monitoring of raw material prices and inflation indicators — Sulzer's global presence mitigates the effect of geopolitical shocks
Strategic		
Innovation — More information on page 45	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	— Stage gate process and key performance indicators — Product Development Council with strong focus on midrange planning process — Core Technology Council for development of basic technology — Focus on innovation with strategic customers — Innovation projects planned for 2016 — Implementation of an expert development program for key critical resources in 2016
Operational		
Attraction and retention — More information on page 48	Failure to attract and retain talent could lead to a lack of expertise and negatively impact the ability to operate.	— Active fostering of corporate values and high ethical standards — Strong Sulzer employer brand strategy — Regular talent review workshops — Development plans and education of employees — Salary benchmarks and reviews — Regular employee engagement surveys
Health and safety — More information on page 48	An unsafe working environment could lead to harm to people, reputational damage, fines, as well as liability claims and could have a serious economic impact.	— Health and safety directives, guidelines, programs (e.g., Safe Behavior Program), and training — OHSAS 18001 certifications — Monthly health and safety controlling — Global network of health and safety officers — Regular health and safety audits

Risk	Risk exposure	Main loss controls
Operational		
Compliance — More information on page 61	Non-compliant or unethical behavior could lead to reputational damage, fines, and liability claims.	— Active fostering of high ethical standards — Continuous monitoring and assessment of potential exposures — Sulzer Code of Business Conduct and a number of supporting regulations (e.g., anticorruption, antitrust, trade control) — Global network of compliance and trade compliance officers — Compliance training (incl. e-learning) and audits — Speak-up culture, compliance hotline, and sanctions
Quality of products and services	Failure of products and services could lead to repeated work, reputational damage, or liability claims.	— Quality management and assurance systems tailored to specific businesses — Third-party accreditation — Competence development programs and training of employees — Test centers
Business interruptions	Business interruption, such as a fire, could cause damage to people, property, and equipment. It could have a negative effect on the ability to operate at the affected site.	— Crisis and emergency management systems (at global and local level) — Risk management policy and guidelines — Corporate and local crisis and emergency management systems — Disaster recovery plans in IT
Financial		
Financial markets — More information on page 111	The unpredictability of financial markets may have a negative effect on Sulzer's financial performance and its ability to raise or access capital.	— Corporate financial policy — Foreign exchange risk policy — Trading loss limits for financial instruments
Credit — More information on page 113	Credit risks arising from financial institutions and from customers could have a negative effect on Sulzer's financial performance and ability to operate.	— For financial institutions, only parties with a strong credit quality are accepted (third-party rated) — Individual risk assessment of customers with large order volumes — Continuous monitoring of country risks
Liquidity — More information on page 113	Failure in liquidity risk management may have a negative effect on Sulzer's financial performance and its ability to operate.	— Continuous monitoring of the liquidity — Management of liquidity reserves at group level — Cash flow program to optimize liquidity and cash flow management — Efficient use of available cash through cash pooling

9 Information Policy

Sulzer Ltd reports on its order intake every quarter (media releases) and on its financial results every half year. In each case, it also comments on business performance and outlook. In addition, the company reports on important events on an ongoing basis (ad hoc publications). The reporting referred to in Section 5 of this Corporate Governance Report (including the respective references to the Financial Section) complies with the recommendations on the content of the Compensation Report as laid out in Section 38 of Annex 1 to the Swiss Code of Best Practice for Corporate Governance.

Key dates in 2016

February 25	Annual results 2015
April 7	Annual General Meeting 2016
April 21	Order intake Q1 2016
July 28	Midyear report 2016
October 20	Order intake Q1–Q3 2016

These dates and any changes can be viewed at www.sulzer.com/events. Media releases (sent via e-mail) can be subscribed to at www.sulzer.com/newsletter. Other information is available on the Sulzer website www.sulzer.com.

Material changes

The text makes reference to any material changes occurring between the balance sheet date (December 31, 2015) and the copy deadline for the Annual Report (February 24, 2016).

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Compensation Report

Incentives for Sustainable Performance

Compensation policies and plans at Sulzer reward performance, sustainable growth, and long-term shareholder value creation.

Winterthur, February 24, 2016

Dear shareholder

On behalf of the Board of Directors and the Nomination and Remuneration Committee of Sulzer, please find enclosed our 2015 Compensation Report.

The purpose of the Sulzer compensation policy is to enable the company to attract, retain, and motivate the talents that are key to the company's performance and long-term success. With that in mind, our compensation programs have been designed to reward performance, sustainable growth, and long-term shareholder value creation.

The Board of Directors and the Nomination and Remuneration Committee review Sulzer's compensation policy and programs continually to ensure that they are aligned with the company's strategy and the shareholders' interests, while being compliant with the regulatory requirements. In 2015, we concluded that, although the compensation framework is still fit for purpose, the long-term incentive plan needed some adjustments to strengthen the link between pay and performance. The changes to the long-term incentive plan will be put into effect in 2016. They are summarized at the end of this report.

In 2015, following the departure of our former CEO Klaus Stahlmann, the Nomination and Remuneration Committee focused on the search for a new CEO and on strengthening the succession pipeline for Executive Committee positions.

Finally, in compliance with the Ordinance against Excessive Compensation in Listed Stock Corporations (the Compensation Ordinance), the following changes related to compensation have been implemented in the reporting year:

- Amendments to the Articles of Association and inclusion of provisions on compensation governance and compensation principles. The revised Articles of Association were approved with a vote of 97.4% at the 2015 Annual General Meeting;
- Introduction of a binding shareholders' vote on the aggregate amounts of compensation for the Board of Directors and for the Executive Committee at the 2015 Annual General Meeting. Voting results were 98.9% and 97.0% respectively;
- Adjustments of the individual employment contracts of the Executive Committee members in line with the provisions of the Compensation Ordinance.

At the 2016 Annual General Meeting, we will again ask for your opinion on our compensation framework and the compensation actually awarded for the business year 2015 through a consultative vote on this Compensation Report. Further, in line with the Compensation Ordinance, we will request your approval of the aggregate maximum compensation amounts that may be awarded to the Board of Directors until the next Annual General Meeting and to the Executive Committee for the 2017 business year.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they are still effective in the evolving context in which our company operates. We will also continue the open dialogue with you, our shareholders, and your representatives.

We would like to thank you for taking the time to share your views with us and trust that you will find this report informative.

Sincerely,

Thomas Glanzmann

Thomas Glanzmann
Chairman of the Nomination and Remuneration Committee

In brief

Core principles and compensation governance

Compensation policies and plans at Sulzer reward performance, sustainable growth, and long-term shareholder value creation. Compensation programs are competitive, internally equitable, straightforward, and transparent.

The compensation policy, programs, and amounts are reviewed by the Nomination and Remuneration Committee each year and, if necessary, adjusted by the full Board of Directors.
See page 75

Shareholders' engagement

The shareholders are asked to approve the aggregate maximum amounts of compensation that may be awarded to the Board of Directors and to the Executive Committee in a binding prospective vote. Further, shareholders have the opportunity to express their opinion on the compensation framework and on the compensation actually awarded for the reporting year in a consultative vote on the Compensation Report.
See page 76

Compensation of the Board of Directors

To reinforce the independence of the Board of Directors in fulfilling its supervisory duties, the compensation of the Board of Directors consists of a fixed remuneration only, delivered as follows:
- Fixed cash component
- Restricted stock unit (RSU) component

The fixed amount of compensation for the Chairman and the other members of the Board of Directors depends on the amount of responsibility and complexity of their respective functions, the professional and personal requirements placed on them, and the expected time requirement to fulfill their duties.
See page 78

Compensation of the Executive Committee

In line with the pay-for-performance key principle, a significant portion of compensation of the CEO and the other members of the Executive Committee consists of variable incentives based on performance. The compensation includes the following components:
- Fixed compensation:
  - Base salary (cash)
  - Retirement and fringe benefits
- Variable compensation:
  - Short-term annual bonus (cash)
  - Long-term incentives (performance share units)

To ensure that the remuneration is competitive, Sulzer regularly participates in relevant benchmarking surveys.
See page 79

The Compensation Report is prepared in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance), the SIX Swiss Exchange Guidelines on Corporate Governance Information (RLCG), and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The Compensation Report provides information on the principles of compensation, the compensation policy and programs, the method of determination of compensation, as well as the compensation awarded in the reporting year to the members of the Board of Directors and members of the Executive Committee.

1 Compensation Governance and Principles

Nomination and Remuneration Committee

The Articles of Association, the Board of Directors and Organization Regulations, and the Nomination and Remuneration Committee Regulations (www.sulzer.com/regulations) define the functions of the Nomination and Remuneration Committee (NRC). The NRC supports the Board of Directors in nominating and assessing candidates for positions to the Board of Directors and Executive Committee positions, in establishing and reviewing the compensation strategy and principles, and in preparing the respective proposals to the Shareholders' Meeting regarding the compensation of the members of the Board of Directors and of the Executive Committee.

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

- Periodic assessment of the membership structure of the Board of Directors, determination of selection principles, and identification of potential candidates to the Board of Directors
- Succession planning for the CEO and Executive Committee positions (two upper management levels)
- Periodic assessment of the compensation policy and programs
- Determination of performance targets for the CEO and the Executive Committee positions for the purpose of the incentive plans
- Preparation of the respective motions to the Shareholders' Meeting on the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee
- Determination of the target compensation for the CEO and for the Executive Committee positions
- Review of the Compensation Report

The table below describes the levels of authority:

Decision authority

	CEO	NRC	Board	Shareholders' Meeting
Selection criteria and succession planning Board of Directors		proposes	approves	
Selection criteria and succession planning Executive Committee	proposes	reviews	approves	
Compensation policy and programs		proposes	approves	
Individual compensation of the Board of Directors		proposes	approves	
Compensation of the CEO		proposes	approves	
Individual compensation of the Executive Committee	proposes	reviews	approves	
Total maximum compensation amounts to be submitted to vote at the Annual General Meeting		proposes	reviews	approves (binding vote)
Performance objectives and assessment of the CEO		proposes	approves	
Performance objectives and assessment of the Executive Committee	proposes	reviews	approves	
Compensation Report		proposes	approves	consultative vote

The NRC consists of a maximum of three members who are non-executive and independent and who are elected individually and annually by the Shareholders' Meeting for the period of office until the following ordinary Annual General Meeting. At the 2015 Annual General Meeting, Thomas Glanzmann (Chairman), Jill Lee, and Marco Musetti were elected as members of the NRC.

The NRC meets as often as the business requires, but at least twice a year. In 2015, the NRC held six meetings that were attended by all members. Besides the standard agenda items, the NRC concentrated its efforts on the selection and nomination of a new CEO and on the redesign of the long-term incentive plan to strengthen further the pay-for-performance alignment.

The CEO and the Head of Group Human Resources, who serves as the Secretary of the NRC, generally attend the meetings. The Chairman of the Committee may invite other executives to join the meeting as advisors, when appropriate. However, the CEO and any other executives do not participate in the meetings, or parts of it, when their own remuneration and/or performance is discussed.

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

The NRC may appoint third-party companies to provide independent advice or perform services as it deems necessary for the fulfillment of its duties. In the reporting year, the Committee appointed Towers Watson to provide consulting and benchmarking services on compensation matters. Towers Watson has no other mandate with Sulzer.

Shareholders’ role and engagement

The company is keen to receive shareholders’ feedback on the compensation policy and programs, and it began the practice of holding a consultative vote on the compensation report in 2011. Further, the company regularly meets with shareholders and shareholder representatives to understand their perspectives. With the implementation of the Compensation Ordinance, the shareholders’ role and their say in compensation matters have become more pronounced. At the Annual General Meeting, shareholders are asked to approve the maximum aggregate compensation amounts for the Board of Directors and for the Executive Committee in an annual binding vote.

At the 2015 Annual General Meeting, the shareholders approved the amendments to the Articles of Association that were required to comply with the Compensation Ordinance. The revised Articles of Association include the following provisions related to compensation (the full version of the Articles of Association can be found under www.sulzer.com/regulations):

- Principles of compensation: non-executive members of the Board of Directors receive a fixed compensation. Members of the Executive Committee receive fixed and variable compensation elements. The variable compensation may include short-term and long-term variable compensation components. These are governed by performance metrics that take into account the performance of the company, the group or parts of it, targets in relation to the market, other companies or comparable benchmarks and/or individual targets, as well as strategic and/or financial objectives. Compensation may be paid in the form of cash, shares, options, financial instruments or similar units, in kind, in services, or in other types of benefits.
- Shareholders’ binding vote on remuneration: the Shareholders’ Meeting shall approve the maximum aggregate amount of compensation of the Board of Directors for the next term of office and the maximum aggregate amount of compensation of the Executive Committee for the following financial year. The Board of Directors shall submit the annual Compensation Report to an advisory vote at the Annual General Meeting.
- Additional amount for members of the Executive Committee hired after the vote on remuneration by the Shareholders’ Meeting: to the extent that the maximum aggregate amount of compensation as approved by the Shareholders’ Meeting does not suffice, up to 40% of the maximum aggregate amount of compensation approved for the Executive Committee is available, without further approval, for the compensation of the members of the Executive Committee who were appointed after the Annual General Meeting.

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

Compensation principles

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

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

Pay-for-performance	A substantial portion of compensation is delivered in the form of variable incentives based on company and individual performance
Ownership	Part of compensation is delivered in the form of company equity in order to foster ownership and align the interests of executives with those of shareholders
Market competitiveness	Compensation levels are competitive and in line with market practice in order to attract and retain highly qualified employees
Internal equity	The internal compensation structure is based on a job grading methodology applied globally
Transparency	Compensation programs are straightforward and transparent

Method of determination of compensation: benchmarking and annual target-setting process

To ensure compensation levels that are competitive and in line with market practice, the compensation of the Board of Directors and of the Executive Committee is regularly benchmarked against that of similar roles in comparable companies. For this purpose, a peer group of international industrial companies headquartered in Switzerland has been selected based on their revenue and number of employees (see box Compensation Benchmark on this page), so that Sulzer is positioned between the median and the third quartile of the peer group.

The intention is to pay target compensation around the median of the relevant market. For the Executive Committee, sustainable superior performance is rewarded through actual compensation significantly above the market median.

The compensation effectively paid out depends on the performance of the company and/or the divisions and on the achievement of individual performance objectives. Performance objectives are defined at the beginning of the year during annual target setting. Achievement is assessed against each of those objectives after year-end and directly influences the variable incentive payouts.

Compensation benchmark

The comparison group reflects Sulzer's ambitious business strategy:
— ABB
— Actelion
— Clariant
— EMS Chemie
— Geberit
— Georg Fischer
— Holcim
— Lonza
— Nobel Biocare
— Oerlikon
— Rieter
— Schindler
— Sika
— Sonova
— Syngenta

Performance appraisal

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

2 Compensation Architecture

Compensation of the Board of Directors

The compensation policy applicable to the Board of Directors is governed by a compensation regulation, is reviewed by the NRC annually, and, if necessary, is adjusted by a decision of the full Board of Directors based on a proposal by the NRC.

The compensation of the Board of Directors consists of a fixed cash component and a restricted stock unit (RSU) component with a fixed grant value. Further, Board members are entitled to a lump sum to cover business expenses. The RSU replaced the option plan in 2009 and strengthened the long-term alignment of the interests of the Board members with those of the shareholders. To reinforce the focus of the Board of Directors on the long-term strategy and to strengthen their independence from the Executive Committee, the compensation of the Board of Directors contains no performance-related elements, and Board members are not entitled to pension benefits.

The amount of compensation for the Chairman and for the other members of the Board of Directors is determined on the basis of relevant compensation benchmarks (see box Compensation Benchmark on page 77). The compensation reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them, and the expected time required to fulfill their duties. The compensation amounts were reviewed and adjusted in 2014 to be in line with market practice and are described in the table below.

Annual compensation of the Board of Directors[1]

in CHF	Cash component (net of social security contributions)	Grant value of restricted stock units	Lump-sum expenses
Basic fee for Board membership	70 000	125 000	5 000
Basic fee for Board chairmanship[2]	420 000	250 000	10 000
Additional fees:			
Board vice chairmanship	30 000	30 000	
Committee chairmanship	40 000		
Committee membership	25 000		

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

The members of the Board of Directors are remunerated for their service during their term of office. The cash remuneration is paid in quarterly installments for Board members, monthly installments for the Chairman; the lump-sum expenses are paid out in December and the RSU are granted once a year. The grant value of the RSU is fixed at CHF 125 000 per Board member and CHF 250 000 for the Chairman of the Board of Directors. The number of RSU is determined by dividing the fixed grant value by the volume-weighted average share price of the last ten trading days before the grant date, which lies between the date of the publication of the year-end results and the Annual General Meeting. One-third of the RSU each vest after the first, second, and third anniversaries of the grant date respectively. Upon vesting, one vested RSU is converted into one share of the company. The vesting period for RSU granted to the members of the Board of Directors ends no later than on the date on which the member steps down from the Board. Although the value of the RSU grant is fixed (at grant), it then fluctuates with the share price during the vesting period, which means that the value at vesting will differ from the value at grant.

Compensation of the Executive Committee

The compensation of the Executive Committee is governed by internal regulations such as the total reward policy, the bonus plan, the performance share plan (PSP), and benefits plans. The compensation of the Executive Committee is reviewed by the NRC annually and, if necessary, adjusted and approved by decision of the Board of Directors based on a proposal by the NRC.

In line with the pay-for-performance principle, a significant portion of the compensation of the CEO and the other members of the Executive Committee consists of variable incentives based on performance. The compensation is structured as follows:

- Fixed compensation:
  - Base salary (cash)
  - Retirement and fringe benefits
- Variable compensation:
  - Short-term annual bonus (cash)
  - Long-term incentives (performance share plan)

The elements of the compensation of the members of the Executive Committee are summarized in the table below.

Overview of compensation elements

Fixed compensation		Variable compensation	
Base salary	Benefits	Short-term incentive plan	Long-term incentive plan
Base salary	Pension and social security contributions, fringe benefits	Bonus plan	Performance share plan (PSP)

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2015)
Main parameters	Function, level of role, profile of incumbent (skills set, experience)	Pension and social security contributions, fringe benefits	Achievement of financial and individual objectives	Achievement of long-term, company-wide objectives
Key drivers	Labor market	Protection against risks, labor market	Operational EBITA, sales, return on capital employed adjusted (ROCEA), operating net cash flow (ONCF)	Cumulative EBIT/ operational EBITA, relative total shareholder return (TSR)
Link to compensation principles	Competitive compensation	Competitive compensation	Pay for performance	Sustainable growth and value creation
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSU)
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1 200 000 for the CEO and between CHF 175 000 and CHF 300 000 for the other members of the Executive Committee. Vesting value is capped to 3.0 times grant value for the CEO and 3.8 to 4.4 times grant value for the other members of the Executive Committee.
Grant date	Monthly	Monthly and / or annually	March of the following year	April 1 of the current year
Performance period	–	–	1 year (January 1, 2015 – December 31, 2015)	3 years (April 1, 2015 – March 31, 2018)
Vesting date	–	–	–	March 31, 2018

Base salary (fixed, in cash)

The base salary is determined at the discretion of the Board of Directors based on the market value of the respective position and the incumbent's qualifications, skills set, and experience. Positions are evaluated according to the Towers Watson Global Grading System (GGS). The GGS is a job-leveling tool to determine internal job levels. It takes into consideration company criteria such as size, complexity, and geographic scope. Furthermore, it assesses each role against standard factors based on its content and how it contributes to the organization overall. The GGS is used as a basis to build the internal salary structure. For further details, please refer to http://www.towerswatson.com/en/Services/Tools/job-leveling-global-grading-and-career-map.

Bonus (variable, performance-based, cash remuneration)

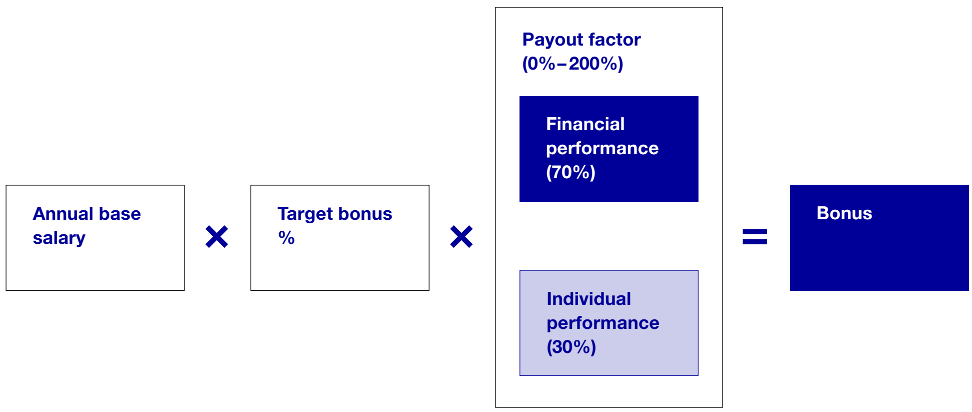
The bonus rewards the financial performance of the company and/or its businesses, as well as the achievement of individual performance objectives over one calendar year. The target bonus is expressed as a percentage of annual base salary according to the level of the role in the GGS framework. It amounts to 90% for the CEO and to 60% for the other members of the Executive Committee.

For the CEO and the other members of the Executive Committee, 70% of the bonus is based on the achievement of financial objectives at company and/or division level, and 30% is based on the achievement of individual objectives as described below:

Category	Weight	Objectives	Rationale		CEO / CFO / CSO	Division President
Financial performance	70%	Operational EBITA	Measure of profitability (bottom-line)	Sulzer	25%	
				Division		25%
		Sales	Measure of growth (top-line)	Sulzer	15%	15%
		Return on capital employed adjusted (ROCEA)	Measure of capital efficiency	Sulzer	10%	10%
		Operating net cash flow (ONCF)	Measure of cash generated by the revenues	Sulzer	20%	20%
Individual performance	30%	Strategy Innovation Finance Management / Operations	Individual objectives address key business issues and depend on the nature of the respective function and its impact on the organization. They may include other financial objectives and/or more strategic goals that are crucial for long-term business success, such as mergers and acquisitions, development of new products, and leadership goals.	Individual	30%	30%
				Total	**100%**	**100%**

The objectives are set within the annual target-setting process. For each objective, an expected level of performance is determined ("target"). In addition, a threshold of performance below which the respective payout factor is zero and a maximum level of performance above which the respective payout factor is capped are determined for each objective as well. The payout level between the threshold, the target, and the maximum is calculated by linear interpolation. The actual bonus payout depends on the weighted average of the payout factors achieved for each objective and can range from 0% to 200% of the target bonus. The bonus is paid out in cash in March of the following year.

Bonus calculation



Sulzer strives for transparency in relation to pay for performance. However, disclosure of financial and individual objectives may create a competitive disadvantage to the company, as it renders sensitive insights into Sulzer's strategy. To ensure transparency whilst avoiding competitive risk, Sulzer provides a general performance assessment at the end of the performance cycle (see Compensation of the Executive Committee on page 86).

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

The performance share plan (PSP) rewards the performance of the company over three years and aligns the interests of the members of the Executive Committee with those of the shareholders by delivering a substantial portion of the compensation as company equity. The PSP is an annual plan with annual grants and is available exclusively to the members of the Executive Committee. The grant value is determined on the basis of the level of the executive's role in the GGS framework. It amounts to CHF 1 200 000 for the CEO and to between CHF 175 000 and CHF 300 000 for the other members of the Executive Committee. The number of performance share units (PSU) granted is calculated by dividing the grant value by the three-month volume-weighted average share price before the grant date.

Each PSU is a conditional right to a certain number of shares of the company. The PSU are subject to a three-year vesting period with two performance conditions:

— A combination of operating income (EBIT) for 2015 and of cumulated operating income before restructuring, amortization, impairments, and non-operational items (operational EBITA) for 2016 and 2017;

— Relative total shareholder return (TSR) of Sulzer against the performance of 30 peer companies respectively (see box below).

Peer group for relative TSR performance of PSP 2015

International peers

- Aker solutions
- Cameron
- Crane Co.
- Ebara
- Flowserve
- FMC
- Idex
- IMI
- KSB
- National Oilwell Varco
- Pentair
- Schlumberger
- Smiths Group
- SPX Flow
- Technip
- Weir
- Wood Group

Swiss industrial peers

- ABB
- Bobst
- Burckhardt Compression
- Conzetta
- Georg Fischer
- Inficon
- Interroll
- Komax
- Meyer Burger
- Oerlikon
- Rieter
- Schindler
- Schweiter

Peer group changes in 2015: due to the spin-off of the SPX Flow business in a stand-alone listed company, SPX has been replaced by SPX Flow. Further, because of the divestiture of Sulzer Metco, Praxair is no longer a relevant peer and has been replaced by Smiths Group.

On the vesting date, the number of vested shares is calculated by multiplying the initial number of PSU granted by the sum of the achievement factor of each performance condition as follows: Number of PSU granted × (Achievement Factor KPI 1 + Achievement Factor KPI 2) = Number of performance shares vested. The number of vested shares is subject to an absolute cap based on the level of the role in the GGS framework.

Number of PSU vested

Number of PSU granted	×	Target achievement EBIT/cumulative operational EBITA (between 0 and 2)	+	Target achievement relative TSR (between 0 and 2)	=	Number of PSU vested
Number of PSU granted Grant values are defined based on the level of the role in the GGS framework: CEO: CHF 1 200 000 EC: CHF 175 000 to 300 000		**Factor based on EBIT and cumulative opEBITA compared to midrange plan (MRP)** EBIT/opEBITA in % of the MRP, EBIT/opEBITA defined as sum of EBIT in 2015 and cumulative opEBITA in 2016 and 2017, divided by cumulative MRP EBIT/opEBITA values of the respective years. Threshold (factor 0): below 60% of MRP Target (factor 1): 100% of MRP Cap (factor 2): 140% of MRP Possible adjustments: the Board of Directors can, at its sole discretion, adjust the cumulative EBIT in case of acquisitions exceeding CHF 100 million, exchange rate fluctuations with major currencies of more than +/–2%, and unforeseen IFRS changes.		**Factor based on relative TSR** Relative TSR is defined as share price growth (ending share price minus starting share price) plus dividends during the vesting period; then divided by the ending share price. The TSR is measured against the performance of the peer group based on the ranking method. Threshold (factor 0): 10th percentile of peer group Target (factor 1): median of peer group Cap (factor 2): 90th percentile of peer group Possible adjustments: the Board of Directors has the right to change the composition of the peer group in case of merger and acquisition or any other change leading to a delisting or a fundamental change in the scope of the business of a peer group company. In such a situation, the Board will select a new peer company.		**Number of PSU vested** The maximum vesting value is capped at a multiple of the value at grant: CEO: 3.0 times EC: 3.8 to 4.4 times

Sulzer strives for transparency in relation to pay for performance. However, disclosure of financial and individual objectives may create a competitive disadvantage to the company, as it renders sensitive insights into Sulzer's strategy. To ensure transparency whilst avoiding competitive risk, Sulzer provides a general performance assessment at the end of the performance cycle.

In case of termination of employment, the following provisions apply:
- Resignation of the participant: unvested PSU forfeit without any compensation.
- Termination by the employer for cause: unvested PSU forfeit.
- Termination of employment as a result of retirement: unvested PSU are retroactively granted on a prorated basis and are vested according to the achievement factor at the end of the vesting period.
- Termination of employment as a result of disability: unvested PSU continue to vest in full as if the employment had not been terminated.

— Termination by the employer without cause or termination as a result of death: the participant or his or her beneficiaries shall be entitled to a monetary compensation reflecting the pro rata vesting of the unvested PSU multiplied with the pro rata achievement factor. Calculation of the underlying share price to determine the pro rata relative TSR performance is based on the volume-weighted average share price of three months preceding the exit date or death of the participant. The pro rata cumulative EBIT/opEBITA calculation is based on the most accurate figures available at time of termination. The Board of Directors determines the final payment considering the above parameters.
— Termination following change of control: unvested PSU shall be converted into shares based on the pro rata achievement as defined above under termination without cause/death.

Further information on share-based compensation can be found in the Financial Statements of Sulzer Ltd under note 9 (pages 165 to 166).

Adjustments to PSP 2014–2016

In 2015, the Board of Directors has decided that the external reporting will be based on operational EBITA instead of EBIT (operating income). For this reason, the performance indicator in the ongoing PSP 2014 has been adjusted accordingly to focus also on operational EBITA, which gives a more accurate picture of operational profitability before special effects. Operational EBITA is defined as operating income before restructuring, amortization, impairments, and non-operational items such as 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.

Consequently, the PSP 2014–2016 is now based on the following performance indicators:
— Cumulative EBIT for 2014–2015 and operational EBITA for 2016 (50% weight);
— Relative TSR over 2014–2016 (50% weight).

Discontinued restricted stock unit plan (variable, fixed grant value, share-based remuneration)

The RSU plan that was in place as a long-term incentive for members of the Executive Committee since 2009 was discontinued when the new PSP 2013 was introduced. However, RSU may still be granted to newly hired Executive Committee members to compensate for deferred awards forfeited at their previous employer as a result of joining Sulzer.

Benefits

Members of the Executive Committee participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan that covers annual earnings up to CHF 146 628 a year and a supplementary plan in which income over this limit, up to the ceiling set by law, is insured (including variable cash remuneration). The contributions are based on age and are shared between the employer and the employee.

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

Contracts of employment

The employment contracts of the Executive Committee have been adjusted to comply with the provisions of the Compensation Ordinance. They are of undetermined duration and have a notice period of maximum 12 months. Members of the Executive Committee are not entitled to any impermissible severance or change of control payments. The employment contracts of the Executive Committee may include non-competition agreements with a time limit of one year and with a maximum total compensation of one annual target compensation.

3 Compensation of the Board of Directors and the Executive Committee

Compensation of the Board of Directors

In 2015, the Board of Directors received a total compensation of CHF 2 075 000 (previous year: CHF 1 993 000). Of this total, CHF 1 068 000 was in cash (previous year: CHF 979 000); CHF 874 000 was in RSU (previous year: CHF 905 000); and CHF 133 000 was social security contributions (previous year: CHF 109 000).

This compensation is an increase of 4% from the previous year. In 2014, the remuneration to the Chairman of the Board of Directors was significantly lower since Peter Löscher was elected at the Annual General Meeting in March 2014 (nine months of compensation in 2014 compared with 12 months of compensation in 2015).

The portion of compensation delivered in RSU amounts to 56% of the cash compensation for the Chairman, and to between 87% and 124% for the other members of the Board of Directors. The RSU are subject to a staged three-year vesting period.

Compensation of the Board of Directors (audited)

					2015					2014
thousands of CHF	Cash fees	Restricted stock unit (RSU) plan[7]	Social security contribu-tions[8]	Other	Total	Cash fees	Restricted stock unit (RSU) plan	Social security contribu-tions	Other	Total
Board of Directors	**1 068**	**874**	**133**	**–**	**2 075**	**979**	**905**	**109**	**–**	**1 993**
Peter Löscher, Chairman[1]	443	250	45	–	738	329	250	–	–	579
Matthias Bichsel, Vice Chairman	125	155	20	–	300	76	125	3	–	204
Thomas Glanzmann[2]	143	125	19	–	287	135	125	27	–	287
Jill Lee	121	125	17	–	263	99	125	22	–	246
Marco Musetti	127	125	18	–	270	118	125	25	–	268
Gerhard Roiss[3]	76	94	12	–	182	–	–	–	–	–
Klaus Sturany[4]	–	–	–	–	–	–	–	–	–	–
Luciano Respini[5]	33	–	2	–	35	200	155	29	–	384
Vladimir V. Kuznetsov[6]	–	–	–	–	–	22	–	3	–	25

[1] Chairman and Chairman of the Strategy Committee.
[2] Chairman of the Nomination and Remuneration Committee.
[3] Member of the Board of Directors since April 1, 2015.
[4] Chairman of the Audit Committee. Klaus Sturany is waiving his compensation for personal reasons. In return, Sulzer makes donations to two non-profit organizations in the amount of the cash fees.
[5] Vice Chairman until April 1, 2015.
[6] Chairman ad interim from January 1 until March 20, 2014.
[7] RSU awards assigned during the reporting period had a fair value of CHF 109.25 at grant date. The amount represents the full fair value of grants made in 2015.
[8] The amount included covers mandatory social security contributions the company made or expects to make with respect to cash fees and RSU (based on the respective fair value).

As of December 31, 2014 and 2015, there were no outstanding loans or credits granted to the members of the Board of Directors or former members of the Board of Directors.

In 2014 and 2015, no compensation was granted to former members of the Board of Directors or related parties.

Compensation of the Executive Committee

Compensation of the CEO in 2015

Grégoire Poux-Guillaume was hired as new CEO of Sulzer effective December 1, 2015. His annual compensation package was determined as follows:

— Annual base salary of CHF 950 000
— Target bonus of CHF 855 000 (90% of annual base salary)
— Grant value under the PSP of CHF 1 200 000
— Expense lump sum of 15 500
— Participation in the regular retirement and benefits plans of Sulzer Switzerland
— Relocation and integration services for the move from France to Switzerland, including temporary housing and commuting for up to six months, home search and settling-in services, tuition cost for the children for maximum two years

The above compensation was prorated for 2015 (one month of employment).

In addition, in compensation for forfeited compensation at the previous employer, 30 242 RSU were granted on December 1, 2015. Those RSU will vest in two tranches over a period of three years: 50% of the RSU will vest 18 months after grant date and the remaining 50% will vest 36 months after grant date. The RSU are forfeit in case of voluntary resignation or in case of termination for cause. The fair value of the RSU at grant date is disclosed in the compensation table on page 87.

Thomas Dittrich was CEO ad interim between August and November 2015. As compensation for this additional work, Thomas Dittrich received a lump-sum payment of CHF 162 000. This amount corresponds to the difference in compensation level between the CEO role and the CFO role for four months.

Performance in 2015

Overall, the financial results were below the target value with an achievement between 58% and 83%, whereas the individual objectives scored above the targets.

Performance in 2015

Objectives	Assessment relative to plan		
	Threshold	Target	Cap
Sales		■	
Operational EBITA		■	
ROCEA		■	
Operating net cash flow (ONCF)		■	
Individual objectives			■

This performance translates into a payout factor in the bonus plan between 79% and 93% (on average 85%) for the members of the Executive Committee.

In 2015, there was no vesting in the PSP; the grant under the PSP 2010 had vested in 2013, and the first grant under the PSP 2013 will vest in 2016. However, the acquisition of a further 29.5% of the share capital of Sulzer by Renova triggered a change of control under the PSP plan rules. The provisions of the PSP allow for a pro rata accelerated vesting based on the performance achieved between the grant date and the date of change of control. All members of the Executive Committee have agreed to waive their rights to the accelerated pro rata vesting. Therefore, the PSU granted under the PSP 2013, 2014, and 2015 continue to vest according to the original vesting schedule. However, the company has guaranteed a minimum vesting level for those grants, so that the participants are not disadvantaged for having accepted to waive their rights to the accelerated vesting. The minimum guaranteed vesting level corresponds with the pro rata vesting level that would have been achieved if the change of control provisions had been applied according to the plan rules. For the two Executive Committee members who are taxable residents in the US, the accelerated pro rata vesting had to be implemented to ensure compliance with US tax legislation.

Compensation awarded to the Executive Committee in 2015

In 2015, the Executive Committee received a total compensation of CHF 14 283 000 (previous year: CHF 12 437 000). Of this total, CHF 5 190 000 was in cash (previous year: CHF 5 891 000); CHF 4 204 000 was in PSU (previous year: CHF 2 834 000); CHF 1 781 000 was in pension and social security contributions (previous year: CHF 1 809 000); and CHF 185 000 was in other payments (previous year: CHF 103 000). This is an increase of 15% from the previous year. The main reason for this increase is the higher value of the performance share and the restricted stock units granted. This is due to the hiring of the new CEO (RSU replacement award) and to the fact that the Chief Strategy Officer joined the Executive Committee as an additional member.

Compensation of the Executive Committee (audited)

	2015							2014						
thousands of CHF	Base salary	Bonus[2]	Other[3]	Restricted stock unit (RSU) plan[4]	Performance share plan (PSP)[5]	Pension and social security contributions[6]	Total	Base salary	Bonus[2]	Other	Restricted stock unit (RSU) plan	Performance share plan (PSP) 2014	Pension and social security contributions	Total
Highest single compensation, Greg Poux-Guillaume, CEO	79	71	–	2 923	122	230	3 425	–	–	–	–	–	–	–
Highest single compensation, Klaus Stahlmann, CEO	–	–	–	–	–	–	–	824	810	2	–	1 291	367	3 294
Total Executive Committee[1]	3 349	1 841	185	2 923	4 204	1 781	14 283	3 139	2 752	103	1 800	2 834	1 809	12 437

[1] Members of the Executive Committee:
— Greg Poux-Guillaume, CEO since December 1, 2015
— Klaus Stahlmann, CEO until August 10, 2015. The total Executive Committee compensation of 2015 includes the compensation of Klaus Stahlmann. The 12-months notice period will end in August 2016.
— Thomas Dittrich, CFO and CEO a.i. between August 10 and November 30, 2015
— Fabrice Billard, Chief Strategy Officer since March 1, 2015
— César Montenegro, Division President Pumps Equipment
— Peter Alexander, Division President Rotating Equipment Services
— Oliver Bailer, Division President Chemtech.

[2] Expected bonus for performance year 2015 and 2014, respectively.

[3] Other consists of housing allowances, schooling allowances, private share of company cars, tax services, and child allowances. Child allowances were not disclosed in 2014.

[4] Replacement awards to compensate for forfeited remuneration at previous employer as a result of joining Sulzer. The amount represents the full fair value of grants made in 2015.

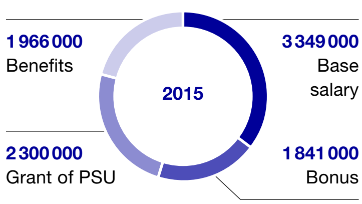
[5] Represents the full fair value of the PSU of the PSP 2015 granted (CHF 4.1 million) and the fair value of the minimum vesting level for PSU which has been guaranteed for the grants 2013, 2014 and 2015 in connection with the change of control (CHF 63 000).

[6] Includes the employer contribution to the social security institutions of the fair value of all grants made in 2015 (RSU and PSP).

For the entire Executive Committee, the variable component (without replacement award) represented 114% of the fixed component (base salary, other, pension and social security contributions). The relationship between the fixed and the variable components of compensation reflects Sulzer's high performance orientation. Further, it represents the company's strong emphasis on aligning the interests of the Executive Committee and the shareholders to create long-term shareholder value and profitable growth.

Compensation overview

Executive Committee



No severance payments to members of the Executive Committee were made during the reporting year.

As of December 31, 2014 and 2015, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee.

In 2014 and 2015, no compensation was granted to former members of the Executive Committee or related parties.

4 Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

As of the end of 2014 and 2015, the members of the Board of Directors held the following shares in the company:

Shareholders 2015

	Sulzer shares	Restricted stock units (RSU)	Total share awards and shares
Board of Directors	45 663	13 149	58 782
Peter Löscher	26 684	3 657	30 341
Matthias Bichsel	342	2 103	2 445
Thomas Glanzmann	4 616	2 081	6 697
Jill Lee	3 095	2 081	5 176
Marco Musetti	2 692	2 081	4 773
Gerhard Roiss	4 000	1 146	5 146
Klaus Sturany	4 204	–	4 204

Shareholders 2014

	Sulzer shares	Restricted stock units (RSU)	Total share awards and shares
Board of Directors	45 563	11 051	56 614
Peter Löscher	26 000	2 052	28 052
Matthias Bichsel	–	1 026	1 026
Thomas Glanzmann	3 700	1 851	5 551
Jill Lee	2 179	1 851	4 030
Marco Musetti	1 776	1 851	3 627
Luciano Respini	8 027	2 097	10 124
Klaus Sturany	3 881	323	4 204

Shareholdings of the Executive Committee

As of the end of 2014 and 2015, the members of the Executive Committee held the following shares in the company:

Shareholders 2015

	Sulzer shares	Restricted stock units (RSU)	Total share awards and shares	Performance share units (PSU) 2013	Performance share units (PSU) 2014	Performance share units (PSU) 2015
Executive Committee	33301	40976	74277	4860	7212	13800
Greg Poux-Guillaume	–	30242	30242	–	–	942
Peter Alexander	10928	–	10928	4860	1967	2402
Oliver Bailer	1303	231	1534	–	1967	2402
Fabrice Billard	1187	–	1187	–	–	2402
Thomas Dittrich	7000	9842	16842	–	964	2826
César Montenegro	12883	661	13544	–	2314	2826

Shareholders 2014

	Sulzer shares	Restricted stock units (RSU)	Total share awards and shares	Blocked Sulzer shares out of PSP 2010	Performance share units (PSU) 2013	Performance share units (PSU) 2014
Executive Committee	22344	17903	40247	7422	20741	13651
Klaus Stahlmann	5400	–	5400	–	15881	6439
Peter Alexander	6649	568	7217	3711	4860	1967
Oliver Bailer	852	682	1534	–	–	1967
Thomas Dittrich	1500	14763	16263	–	–	964
César Montenegro	7943	1890	9833	3711	–	2314

5 Outlook: Changes in STI and LTI Plans for 2016

To strengthen the pay-for-performance alignment, the PSP plan has been amended as follows, effective January 1, 2016 (e.g., for the PSU grant that will be awarded in 2016):

— The vesting performance conditions will be average ROCEA (return on capital employed adjusted) over the 3-year performance period weighted 25%, operational EBITA growth weighted 25%, and relative three-year TSR weighted 50%. The decision was made to replace the cumulated EBIT condition through ROCEA and operational EBITA growth because the two KPI capture the essence of operating efficiency, balancing operating profitability with responsible capital management, which is more strongly aligned with the long-term shareholders' interests.
— The threshold of TSR performance will be increased. Performance at the 25^{th} percentile rank in the peer group is required for any vesting to be triggered. This condition strengthens the link between performance and pay.
— The maximum vesting level will be capped at 250% of grant value for a performance at or above 75^{th} percentile (TSR) or 140% (ROCEA, operational EBITA). The reduction of the cap is more aligned with competitive market practice and with the expectations of the shareholders and their representatives.

The other features of the PSP plan, such as the equity instrument used (PSU), the performance period of three years, and the provisions in case of termination of employment, will remain unchanged.

Because the ROCEA performance condition was introduced into the PSU plan, the bonus plan will also be amended for 2016 to avoid any duplication of measures of performance between the two plans.

The performance conditions in the bonus plan will be as follows:

Category	Weight	Objectives	Rationale		CEO / CFO / CSO	Division President
Financial performance	70%	Operational EBITA in % of sales	Measure of profitability (bottom-line)	Sulzer	25%	
				Division		25%
		Sales	Measure of growth (top-line)	Sulzer	25%	
				Division		25%
		Operating net cash flow (ONCF)	Measure of cash generated by the revenues	Sulzer	20%	
				Divison		20%
Individual performance	30%	Strategy Innovation Finance Management / Operations	Individual objectives address key business issues and depend on the nature of the respective function and its impact on the organization. They may include other financial objectives and/or more strategic goals that are crucial for the long-term business success, such as mergers and acquisitions, development of new products, and leadership goals.	Individual	30%	30%
				Total	**100%**	**100%**

This combination of performance measures between the bonus plan and the PSP plan ensures a balanced way of evaluating performance of the company holistically, and it is more strongly aligned with the long-term interests of the shareholders.

KPMG

Report of the Statutory Auditor to the General Meeting of Sulzer Ltd, Winterthur

We have audited the accompanying Compensation Report dated February 24, 2016 of Sulzer Ltd for the year ended December 31, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Compensation Ordinance) contained in the tables referred to as audited on pages 85 to 87 of the Compensation Report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Compensation Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Compensation Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans, and credits in accordance with articles 14–16 of the Compensation Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

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

Opinion
In our opinion, the Compensation Report for the year ended December 31, 2015 of Sulzer Ltd complies with Swiss law and articles 14–16 of the Compensation Ordinance.

KPMG AG

Zurich, February 24, 2016

François Rouiller
Licensed Audit Expert
Auditor in Charge

Roman Wenk
Licensed Audit Expert

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Consolidated Financial Statements

Notes to the Consolidated Financial Statements

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		**1574.0**	**1681.9**
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	1009.0	1194.7
Total current assets		**2680.8**	**2971.1**
Total assets		**4254.8**	**4653.0**
Equity			
Share capital	24	0.3	0.3
Reserves		2224.4	2435.1
Equity attributable to shareholders of Sulzer Ltd		**2224.7**	**2435.4**
Non-controlling interest		9.5	6.6
Total equity		**2234.2**	**2442.0**
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		**1548.5**	**1216.5**
Total liabilities		**2020.6**	**2211.0**
Total equity and liabilities		**4254.8**	**4653.0**

[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.

Consolidated statement of changes in equity
January 1 – December 31

millions of CHF	Notes	Attributable to shareholders of Sulzer Ltd: 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**

Notes to the Consolidated Financial Statements

1 General information

Sulzer Ltd (the "company") is a company domiciled in Switzerland. The address of the company's registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The consolidated financial statements for the year ended December 31, 2015, comprise the company and its subsidiaries (together referred to as the "group" and individually as the "subsidiaries") and the group's interest in associates and joint ventures. The group specializes in pumping solutions, rotating equipment maintenance and services as well as separation, reaction, and mixing technology. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 14 300 people. The company serves clients in over 150 production and service sites worldwide. Sulzer Ltd is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2016.

2 Key accounting policies and valuation methods

2.1 Basis of preparation

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

- financial instruments at fair value through profit or loss which are measured at fair value (incl. derivative financial instruments),
- available-for-sale financial instruments,
- liabilities for cash-settled share-based payments, and
- net position from defined benefit plans, where plan assets are measured at fair value and the plan liabilities are measured at the present value of the defined benefit obligation (see 2.19 a).

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 "Critical accounting estimates and judgments."

2.2 Change in accounting policies

a) Standards, amendments, and interpretations to published standards effective in 2015

The group has adopted the following new standards and amendments with a date of initial application of January 1, 2015:

- Amendment to IAS 19 'Employee Contributions'. The amendment clarifies how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.
- Amendments deriving from the annual improvement program 2010–2012 and 2011–2013 addressing specific aspects in various standards.

b) Standards, amendments, and interpretations issued but not yet effective which the group has decided not to early adopt in 2015

A number of new standards and amendments to standards have been published that are not mandatory for December 31, 2015 reporting periods and have not been early adopted by the group. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following:

- IFRS 9 'Financial Instruments', published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
- IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts', and IFRIC 13 'Customer Loyalty Programs'. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Sulzer has started a project and is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
- IFRS 16 'Leases', published in January 2016, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

2.3 Consolidation

a) Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group (see 2.3 b). The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree, and the equity interest issued by the group. Any goodwill arising is tested annually for impairment (see 2.6 a). Any gain on a bargain purchase is recognized in profit or loss immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

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

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

b) Subsidiaries

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

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

c) Non-controlling interests

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

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

d) Associates and joint ventures

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

e) Transactions eliminated on consolidation

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

f) Discontinued operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group, and which:
- represents a major line of business;
- is part of a single coordinated plan to dispose of a separate major line of business; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as discontinued operation, the comparative statement of profit or loss is represented as if the operation had been discontinued from the start of the comparative year. All disclosures in the notes to the consolidated financial statements refer to continuing operations, except where otherwise indicated.

2.4 Segment reporting

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

2.5 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

Changes in the fair value of monetary items, denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the item and other changes in the carrying amount of the item. Translation differences related to changes in the amortized costs are recognized in profit or loss; other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the available-for-sale reserve in other comprehensive income.

c) Subsidiaries

The results and financial position of all the subsidiaries (excluding the ones with hyperinflationary economy) that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

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

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

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

2.6 Intangible assets

An intangible asset is classified either as an asset with indefinite useful life when timely limitation of generating net cash inflows is not foreseeable, or as an asset with a finite useful life.

Intangible assets with an indefinite useful life are not to be amortized. The group performs an annual review determining whether events and circumstances still support this measurement. Reassessing the useful life indicates that an asset might be impaired. The intangible assets with finite useful life are amortized in line with the expected useful life, usually on a straight-line basis. The period of useful life is to be assessed according to business rather than legal criteria. This assessment is made at least once a year. An impairment might be required in the event of sudden or unforeseen value changes.

a) Goodwill

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

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

For impairment testing goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill originating from the acquisition of an associated company is included in the book value of the participation in associated companies.

b) Trademarks and licenses

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

c) Research and development

Expenditure on research activities is recognized in profit or loss as incurred. Development costs for major projects are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequently such assets are measured at cost less accumulated amortization (max. five years) and any accumulated impairment loss.

d) Computer software

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

e) Customer relationships

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

2.7 Property, plant, and equipment

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

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

The useful lives are as follows:

Buildings	20–50 years
Machinery	5–15 years
Technical equipment	5–10 years
Other non-current assets	max. 5 years

Property, plant, and equipment financed by long-term financial leases is capitalized and amortized in the same way as other assets. The applicable leasing commitments are shown as liabilities and are included under long-term borrowings. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 Impairment of property, plant and equipment and intangible assets

Assets with an indefinite useful life are not amortized, but tested annually for impairment. Assets with a finite useful life are only tested for impairment if relevant events or changes in circumstances indicate that the book value is no longer recoverable. An impairment loss is recorded equal to the excess of the carrying value over the recoverable amount. The recoverable amount is the higher of the fair value of the asset less disposal costs and its value in use. The value in use is based on the estimated cash flow over a five-year period and the extrapolated projections for subsequent years. The results are discounted using an appropriate pre-tax, long-term interest rate. For the purposes of the impairment test, assets are grouped together at the lowest level for which separate cash flows can be identified (cash-generating units).

2.9 Financial assets

Financial assets, including marketable securities, are classified into the following four categories: "financial assets at fair value through profit or loss," "available-for-sale financial assets," "loans and receivables," and "held-to-maturity financial assets." Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at the date of purchase and reviews it on every accounting date. The fair value of financial instruments is either taken from an actively traded market or, in the case of non-traded financial instruments, from a valuation using standard formula-based methods. The marketable securities held by the group belong either to the first or the second level.

a) Financial assets at fair value through profit or loss

Assets in this category are capitalized at fair value and subsequently adjusted to fair values, with any adjustments charged or credited to financial income. Derivative financial instruments are recorded at fair value (cost at the time of acquisition) and subsequently adjusted to fair values. Financial assets designated at fair value from inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. With the exception of derivative financial instruments that meet the requirements of a "cash flow hedge" or a "net investment hedge," all adjustments are charged or credited to financial income. Derivative financial assets are classified as current assets or in case maturity is later than 12 months from the balance sheet date as non-current assets.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, unless the maturity is greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

d) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payment terms and fixed maturities are classified as held-to-maturity when there is the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

Purchases and disposals of financial assets are recognized on the trade date. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement line "Other financial income" in the period they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of financial income. Financial assets are derecognized when the right to receive cash flows from the investments has expired or has been transferred and the group has transferred all substantial risks and rewards of ownership.

Changes in the fair value of financial assets classified as available-for-sale are recorded in equity. When these assets are sold or impaired, the accumulated fair value adjustments recorded in equity are recycled and booked to the financial income.

2.10 Derivative financial instruments and hedging activities

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion on the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.12 Inventories

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

2.13 Trade receivables

Trade and other accounts receivable are stated at nominal value less provision for impairments. The respective value corresponds approximately to the amortized cost. Trade receivables are classified as loans and receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all the amounts due according to the original payment terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables are subject to regular review and adequate impairment is considered. The amount of the impairment provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment charge is booked within selling and marketing expenses in the income statement and the carrying amount of the trade receivable is deducted through an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Any subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. When share capital is repurchased, the amount of the consideration paid, which includes directly attributable cost, is net of any tax effects and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.16 Trade payables

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

2.17 Borrowings

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

2.18 Current and deferred income taxes

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

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

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

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

2.19 Employee benefits

a) Defined benefit plans

The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

b) Defined contribution plans

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

c) Other employee benefits

Some subsidiaries provide other employee benefits like “Early retirement benefits” or “Jubilee gifts” to their employees. Early retirement benefits are defined as termination benefits for employees accepting voluntary redundancy in exchange for those benefits. Jubilee gifts are other long-term benefits. For example, in Switzerland, Sulzer makes provisions for jubilee benefits based on a Swiss local directive. The provisions are reported in the category “Other employee benefits” (Note 27).

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

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

2.20 Share-based compensation

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

a) Performance share plan (PSP)

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

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

b) Restricted share plan (RSP)

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

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

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

2.21 Provisions

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

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

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts and after eliminating sales within the group. The group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met.

a) Sale of goods/products

Revenue from the sale of goods/products derives in the ordinary course of business. Goods and products are described as ordinary when they are part of the official product range of the organization. Goods and products are those items produced/engineered and/or purchased for resale. This includes standard products (off the rack) as well as (pre-) engineered or tailor-made products.

Revenue from the sale of goods is recognized when all of the conditions stated below are fulfilled. The return rights of products and goods are also considered. The conditions for the recognition of revenue from sale of goods and products are as follows:

- it is probable that any future economic benefit associated with the revenue will flow to the entity,
- the revenue can be measured reliably,
- the cost incurred or to be incurred can be measured reliably,
- the entity (seller) has transferred significant risks and rewards of ownership to the buyer; basis of the risk/reward terms are the agreed clauses with the customer in the sales contract, generally linked to the internationally accepted Incoterms, and
- the entity (seller) has retained neither continuing managerial involvement nor effective control over the goods.

Revenue is recognized only when it is probable that it is collectible and measurable. Revenue can only be collectible when there is a binding sales agreement. Once revenue is recognized, any subsequent uncertainty about the collectability of the revenue is recognized as an expense/adjustment to the amount receivable rather than as an adjustment to revenue.

b) Rendering of services

The rendering of services involves an entity performing an agreed task for a customer. This service may involve asset maintenance; professional services; and the construction, development, or customization of assets. Service contracts may be single-element contracts, in which the entity renders one type of service, or multiple-element contracts that provide for the delivery of more than one service, or may include the delivery of goods as well as services. Services are often performed within the reporting period. The percentage of completion basis is applicable to such services, but the stage of completion increases from 0% to 100% within one accounting period.

Services that are provided over a period beyond the reporting period involve estimates. Revenue is then recognized according to the stage, or percentage, of completion of the contract. The method used to determine the stage of completion will depend on the nature of the contract. A consistent approach is taken to the revenue recognition of similar contracts.

Revenue from rendering of services is recognized by reference to the stage of completion of the transaction when the following conditions are cumulatively met:
— the amount of revenue can be measured reliably,
— the flow of economic benefits to the entity is probable,
— the state of completion at the period end can be measured reliably, and
— the cost incurred to date and the cost to completion can be measured reliably.

c) Percentage of completion method (PoC)
Major long-term customer orders are reported using the percentage of completion method (PoC), based on the percentage of costs to date compared with the total estimated contract costs, contractual milestones, or performance. The income statement contains a share of sales, including an estimated share of profit, while the balance sheet includes the corresponding trade accounts receivable after adjustment for advance payments received. When it appears probable that the total costs of an order will exceed the expected income, the total amount of expected loss is recognized immediately in the income statement.

d) Other revenue
Revenue from the use of entity assets by third parties yielding interest, royalties, and dividends in the form of:
— interest charges for the use of cash or cash equivalents or amounts due to the entity,
— royalty charges for the use of long-term assets (e.g. patents, trademarks, copyrights, and computer software), and
— dividend distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital.

Interest is recognized using the effective interest method. Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividends are recognized when the shareholder’s right to receive payment is established.

2.23 Assets and disposal groups held for sale
A non-current asset or a group of assets is classified as “held for sale” (IFRS 5) if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the management must be committed to sell the assets, the assets must be actively marketed for sale, and the sale is expected to be completed within one year. A non-current asset or a group of assets classified as “held for sale” shall be measured at the lower of its carrying amount or fair value less selling cost.

2.24 Dividend distribution
Dividend distribution to the shareholders of Sulzer Ltd is resolved upon decision of the general assembly and will be paid in the same reporting period.

3 Financial risk management

3.1 Financial risk factors
The group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group’s financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

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

a) Market risk

(I) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require subsidiaries to manage their foreign exchange risk against their functional currency. The subsidiaries are required to hedge their major foreign exchange risk exposure using forward contracts or other standard instruments, usually transacted with Group Treasury.

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

The following tables show the hypothetical influence on the income statement for 2015 and 2014 related to foreign exchange risk of financial instruments. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. For 2015, the currency pair with the most significant exposure and inherent risk were the EUR versus the CHF. If, on December 31, 2015, the EUR had increased by 22.6% against the CHF with all other variables held constant, profit after tax for the year would have been CHF 1.8 million lower mainly due to foreign exchange losses on CHF-denominated financial assets. A decrease of the rate would have caused a gain of the same amount.

Hypothetical impact of foreign exchange risk on income statement

millions of CHF				**2015**
Currency pair	EUR/ CHF	EUR/ RUB	EUR/ CNY	EUR/ USD
Exposure	−10.4	−3.4	5.4	−5.4
Volatility	22.6%	27.8%	12.6%	12.3%
Effect on profit after tax (rate increase)	−1.8	−0.7	0.5	−0.5
Effect on profit after tax (rate decrease)	1.8	0.7	−0.5	0.5

millions of CHF				2014
Currency pair	EUR/ RUB	USD/ SEK	USD/ CHF	EUR/ CHF
Exposure	6.1	8.9	3.3	3.8
Volatility	28.1%	8.3%	6.7%	1.9%
Effect on profit after tax (rate increase)	1.2	0.5	0.2	0.1
Effect on profit after tax (rate decrease)	−1.2	−0.5	−0.2	−0.1

The following tables show the hypothetical influence on equity for 2015 and 2014 related to foreign exchange risk of financial instruments for the most important currency pairs as at December 31 of the respective year. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flows in foreign currencies.

Hypothetical impact of foreign exchange risk on equity

millions of CHF							2015
Currency pair	USD/ CHF	EUR/ CHF	USD/ MXN	USD/ BRL	EUR/ USD	GBP/ USD	USD/ INR
Exposure	−43.0	−29.0	−48.6	−23.7	39.2	47.9	−40.6
Volatility	22.9%	22.6%	10.9%	21.2%	12.3%	8.4%	6.3%
Effect on equity, net of taxes (rate increase)	−7.4	−4.9	−4.0	−3.8	3.6	3.0	−1.9
Effect on equity, net of taxes (rate decrease)	7.4	4.9	4.0	3.8	−3.6	−3.0	1.9

millions of CHF							2014
Currency pair	USD/ BRL	GBP/ USD	USD/ MXN	EUR/ USD	USD/ CHF	USD/ INR	EUR/ CHF
Exposure	−27.1	61.3	−44.0	26.6	−22.8	−17.9	−35.8
Volatility	13.6%	5.6%	7.3%	6.2%	6.7%	6.0%	1.9%
Effect on equity, net of taxes (rate increase)	−2.7	2.5	−2.3	1.2	−1.1	−0.8	−0.5
Effect on equity, net of taxes (rate decrease)	2.7	−2.5	2.3	−1.2	1.1	0.8	0.5

(II) Price risk

As per December 31, 2015, the group was not exposed to significant price risk related to investments in equity securities either classified as “available-for-sale” or at “fair value through profit or loss.”

(III) Interest rate sensitivity

The group’s interest rate risk arises from interest-bearing assets and liabilities. Assets and liabilities at variable rates expose the group to cash flow interest rate risk. Assets and liabilities at fixed rates expose the group to fair value interest rate risk. The group analyzes its interest rate exposure on a net basis, and if required enters into derivative instruments in order to keep the volatility of net interest income or expense limited. Currently the group has not entered into such derivative financial instruments related to interest rate risk management.

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

Hypothetical impact of interest rate risk on income statement

millions of CHF				2015
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	331.0	100	2.5	−2.5
USD	212.3	100	1.6	−1.6
CNY	58.9	100	0.4	−0.4
INR	31.6	100	0.2	−0.2
EUR	−28.0	100	−0.2	0.2

millions of CHF				2014
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
CHF	926.3	100	6.7	–6.7
USD	145.4	100	1.1	–1.1
CNY	75.5	100	0.5	–0.5
GBP	34.6	100	0.3	–0.3
SGD	32.3	100	0.2	–0.2

On December 31, 2015, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 2.5 million higher (2014: CHF 6.7 million higher), mainly as a result of higher interest income on cash and cash equivalents. A decrease of interest rates on CHF-denominated assets net of liabilities would have caused a loss of the same amount. On December 31, 2015, the CHF amount exposed to interest rate risk was reduced compared with 2014, because the CHF 500 million bond due in 2016 is now considered as liability at variable interest rate and thus reducing the net exposure accordingly.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The maximum exposure to credit risk per class of financial assets is outlined in the fair value table in note 3.3. Not exposed to credit risks are equity securities classified as available-for-sale.

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

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

c) Liquidity risk

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

Management anticipates the future development of the group's liquidity reserve on the basis of expected cash flows by performing regular Group-wide cash forecasts. In 2012, a syndicated credit line of CHF 500 million with an original maturity date of 2017 was established to furthermore provide financial flexibility in the short run. In 2015, this syndicated credit line has been extended to 2020, with two further one-year extension options. If special needs arise, financing will be reviewed case by case.

The following table analyzes the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows calculated with the year-end closing rates. Borrowings include the notional amount as well as interest payments.

Maturity profile of financial liabilities

millions of CHF						2015
	Carrying amount	<1 year	1–2 years	3–5 years	>5 years	Total
Borrowings	521.6	522.0	5.9	1.8	0.2	529.9
Trade accounts payable	323.8	323.8	–	–	–	323.8
Other current and non-current liabilities (excluding derivative liabilities)	67.8	43.6	16.6	6.2	1.4	67.8

millions of CHF						2014
	Carrying amount	<1 year	1–2 years	3–5 years	>5 years	Total
Borrowings	528.0	31.3	510.9	6.2	0.3	548.7
Trade accounts payable	383.6	383.6	–	–	–	383.6
Other current and non-current liabilities (excluding derivative liabilities)	124.9	86.8	21.2	15.4	1.5	124.9

The following table analyzes the group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows calculated with the year-end closing rates. With every forward exchange contract the group is obliged to pay an amount; however, it also receives the equivalent amount in a different currency. In case of options, only sold options are considered, as only these positions may generate a payment liability.

Maturity profile of derivative financial instruments

millions of CHF					2015
	Total	<1 year	1–2 years	3–5 years	>5 years
Forward exchange contracts					
— outflow	–1027.0	–1009.0	–17.9	–0.1	–
— inflow	1027.0	1009.0	17.9	0.1	–
Other derivative instruments					
— outflow	–	–	–	–	–
— inflow	–	–	–	–	–

millions of CHF					2014
	Total	<1 year	1–2 years	3–5 years	>5 years
Forward exchange contracts					
— outflow	–989.7	–985.4	–4.3	–	–
— inflow	989.7	985.4	4.3	–	–
Other derivative instruments					
— outflow	–0.8	–0.8	–	–	–
— inflow	–	–	–	–	–

3.2 Capital risk management

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

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

As do others in the same industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as total financial debt divided by equity attributable to shareholders of Sulzer Ltd (debt-to-equity ratio). The equity capital as shown in the balance sheet corresponds to the managed equity capital.

The slight increase in the gearing ratio during 2015 resulted from a decrease in equity.

As at December 31, 2015 and 2014, the gearing ratio was as follows:

Gearing ratio

millions of CHF	2015	2014
Borrowings	521.6	528.0
Equity attributable to shareholders of Sulzer Ltd	2224.7	2435.4
Borrowings-to-equity ratio (gearing)	0.23	0.22

3.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as at December 31, 2015 and 2014, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

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

The fair value of financial instruments traded in active markets (including a fund investment classified as at fair value through profit or loss, or the outstanding bond) is based on quoted market prices at the balance sheet date. Such instruments are included in level 1.

The fair values included in level 2 are based on valuation techniques using observable market input data. This may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates. Other financial assets measured at fair value through profit or loss include time deposits and other interest-bearing investments with maturities between 3 and 12 months, their fair value is determined based on discounted cash flows.

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

Contingent considerations are linked on the fulfillment of certain parameters, mainly related to earn-out clauses and technology transfer. For more information please refer to note 5.

Fair value table

millions of CHF		December 31, 2015				
	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Financial assets at fair value through profit or loss	23	208.3	208.3	98.4	109.9	–
Available-for-sale financial assets	17	4.5	4.5	–	4.5	–
Derivative assets—non-current	29	–	–	–	–	–
Derivative assets—current	21, 29	6.4	6.4	–	6.4	–
Total financial assets measured at fair value		**219.2**	**219.2**	**98.4**	**120.8**	**–**
Financial assets not measured at fair value						
Loans and receivables	17	7.1				
Non-current receivables (excluding non-current derivative assets)		7.1				
Trade accounts receivables	20	851.1				
Other accounts receivables (excluding current derivative assets)	21	78.4				
Cash and cash equivalents	22	1 009.0				
Total financial assets not measured at fair value		**1 952.7**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities—non-current	29	0.4	0.4	–	0.4	–
Derivative liabilities—current	28, 29	11.2	11.2	–	11.2	–
Contingent considerations	5	22.1	22.1	–	–	22.1
Total financial liabilities measured at fair value		**33.7**	**33.7**	**–**	**11.6**	**22.1**
Financial liabilities not measured at fair value						
Outstanding bond	26	499.6	506.4	506.4	–	–
Bank loans and other borrowings	26	22.0				
Other non-current liabilities (excluding non-current derivative liabilities)		24.2				
Trade accounts payable		323.8				
Other current liabilities (excluding current derivative liabilities)	28	43.6				
Total financial liabilities not measured at fair value		**913.2**	**506.4**	**506.4**	**–**	**–**

Fair value table

millions of CHF						December 31, 2014
	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Financial assets at fair value through profit or loss	23	106.8	106.8	99.4	7.4	–
Available-for-sale financial assets	17	4.5	4.5	–	4.5	–
Derivative assets — non-current	29	–	–	–	–	–
Derivative assets — current	21, 29	7.4	7.4	–	7.4	–
Total financial assets measured at fair value		**118.7**	**118.7**	**99.4**	**19.3**	**–**
Financial assets not measured at fair value						
Loans and receivables	17	7.4				
Non-current receivables (excluding non-current derivative assets)		11.3				
Trade accounts receivables	20	955.9				
Other accounts receivables (excluding current derivative assets)	21	102.4				
Cash and cash equivalents	22	1 194.7				
Total financial assets not measured at fair value		**2 271.7**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities — non-current	29	0.1	0.1	–	0.1	–
Derivative liabilities — current	28, 29	11.6	11.6	–	11.6	–
Contingent considerations	5	56.5	56.5	–	–	56.5
Total financial liabilities measured at fair value		**68.2**	**68.2**	**–**	**11.7**	**56.5**
Financial liabilities not measured at fair value						
Outstanding bond	26	498.9	514.4	514.4	–	–
Bank loans and other borrowings	26	29.1				
Other non-current liabilities (excluding non-current derivative liabilities)		38.1				
Trade accounts payable		383.6				
Other current liabilities (excluding current derivative liabilities)	28	86.8				
Total financial liabilities not measured at fair value		**1 036.5**	**514.4**	**514.4**	**–**	**–**

4 Critical accounting estimates and judgments

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

Contingent considerations

At December 31, 2015, the group had CHF 22.1 million (December 31, 2014: CHF 56.5 million) of contingent considerations resulting from business combinations. The total payments under contingent considerations arrangements could be up to CHF 55.0 million (December 31, 2014: CHF 73.0 million). The estimated amounts are the expected payments, determined by considering the possible scenarios of forecast sales and other performance criteria, probabilities of occurrence, and the use of simulation models. The estimates could change substantially over time as new facts emerge and scenarios develop. Further details are disclosed in note 5.

Employee benefit plans

The present value of the pension obligation and the plan assets depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit obligation and the plan assets include the discount rate, future salary and pension increases, and mortality rates. The assumptions are reviewed and reassessed at the end of each year based on observable market data, i.e. interest rate of high-quality corporate bonds denominated in the corresponding currency and asset management studies. Further details are provided in note 9.

Income taxes

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

Goodwill and other intangible assets

Goodwill amounted as per December 31, 2015 to CHF 679.8 million (December 31, 2014: CHF 693.7 million). In accordance with the accounting policies set forth in section 2.6 “Intangible assets,” the group carries out an annual impairment test on goodwill in the fourth quarter of the year, or when indications of a potential impairment exist. The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations influenced materially by the terminal growth rate, the discount rate, and the projected cash flows. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ending December 31, 2015 are disclosed in note 14.

Revenue recognition

The group uses the percentage of completion method (PoC) in accounting for major long-term contracts. The use of the PoC method requires the group to estimate the proportional revenue and costs. If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management. Revenue from the application of the PoC method recognized in the year 2015 amounted to CHF 469.8 million (2014: CHF 561.1 million). Further details are disclosed in note 19.

Provisions

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

5 Acquisitions and divestitures of subsidiaries / Discontinued operations / Significant changes in the scope of consolidation

The purchase price allocation for the acquisitions in 2015 is preliminary for up to 12 months after the acquisition date and is subject to refinement as more detailed analysis is completed and additional information about the fair values of the assets and liabilities becomes available. The allocation of the consideration transferred may therefore change in the subsequent period.

Acquisitions in 2015

Net assets acquired

millions of CHF	Saudi Pump Factory	Precision Gas Turbine	Others	Total
Intangible assets	1.5	4.1	3.3	8.9
Property, plant, and equipment	13.2	0.2	2.8	16.2
Cash and cash equivalents	0.3	–	0.5	0.8
Trade accounts receivable	1.7	–	0.5	2.2
Other current assets	8.8	0.9	–	9.7
Liabilities with third parties	–12.2	–	–1.1	–13.3
Deferred tax liabilities	–0.3	–	–	–0.3
Net identifiable assets	**13.0**	**5.2**	**6.0**	**24.2**
Non-controlling interests	–3.3	–	–	–3.3
Goodwill	21.2	7.2	3.0	31.4
Total consideration	**30.9**	**12.4**	**9.0**	**52.3**
Purchase price paid in cash	30.9	8.4	6.3	45.6
Contingent consideration	–	4.0	2.7	6.7
Total consideration	**30.9**	**12.4**	**9.0**	**52.3**

Saudi Pump Factory

On June 29, 2015, Sulzer acquired a 75% controlling interest in Saudi Pump Factory for CHF 30.9 million. Saudi Pump Factory, located in Riyadh, Saudi Arabia, has a workforce of 170 employees. The acquisition enables Sulzer to serve its Saudi Arabian and Gulf Cooperation Council customers with products to the highest Sulzer standards from a local base. The goodwill is attributable to synergies from combined solutions and shared services. None of the goodwill is expected to be deductible for tax purposes. Transaction cost recognized in the income statement amounted to CHF 0.9 million. The non-controlling interest has been recognized as a proportion of net assets acquired. Since the acquisition date, the acquired business contributed order intake of CHF 7.1 million, sales of CHF 10.6 million, and net income of CHF –0.7 million to the group.

Precision Gas Turbine Inc.

On June 3, 2015, Sulzer acquired a 100% controlling interest in Precision Gas Turbine Inc. (Florida). The total consideration was CHF 12.4 million, of which CHF 8.4 million was paid in cash and CHF 4.0 million arose from a contingent consideration arrangement. Through this acquisition, Sulzer will further develop its current capabilities for field services for European-manufactured gas turbines. The goodwill is attributable to synergies from combined solutions and shared services. The goodwill is tax deductible over 15 years. Transaction cost recognized in the income statement amounted to CHF 0.2 million. Since the acquisition date, the acquired business contributed order intake of CHF 2.5 million, sales of CHF 2.1 million, and net income of CHF 0.0 million to the group.

The contingent consideration is dependent on the future performance of the acquired company, and is linked to the gross margin from the company's product portfolio. The bonus for the gross margin depends on the degree of gross margin realized within three years, and is payable on a yearly basis. The total liability is limited at CHF 5.6 million. The calculation of the contingent consideration is based on management assessments that the criteria will be achieved at a probability of 71%.

Other acquisitions

Expert International Pompe Service

On July 28, 2015, Sulzer acquired the business of Expert International Pompe Service (EIPS) located in Casablanca, Morocco. Through this acquisition, Rotating Equipment Services expands its footprint in North Africa for repair of pumps of new equipment.

MATIS INTERVENTIONS SARL

On April 9, 2015, Sulzer acquired 100% of the French company MATIS INTERVENTIONS SARL (Locqueltas). With the acquisition, the Pumps Equipment division strengthens its presence in the French power market, especially in the nuclear business, and will enhance Sulzer's service offering to its customers in the French market.

InterWeld Inc Ltd

On February 12, 2015, Sulzer acquired 100% of InterWeld Inc Ltd located in Northern Ireland. With this acquisition, the Chemtech division will enhance the competitiveness of its tower field service activities by adding the offering of a full range of automated weld overlay services to the oil and gas as well as the power market.

The goodwill of the other acquisitions is attributable to synergies from combined solutions and shared services. None of the goodwill is expected to be deductible for tax purposes. Total transaction costs recognized in the income statement amounted to CHF 0.5 million. Since the acquisition date, the acquired business contributed order intake of CHF 5.9 million, sales of CHF 4.4 million, and net income of CHF –1.8 million to the group.

The gross amount of the trade accounts receivable are expected to be collectable at the date of acquisition. Had all above acquisitions occurred on January 1, 2015, management estimates that total net sales of the group would amount to CHF 2 995.0 million, and the consolidated net income would increase to approximately CHF 77.0 million.

Acquisitions in 2014

Net assets acquired

millions of CHF	ASCOM/ ProLab	Grayson Inc.	aixfotec GmbH	Total
Intangible assets	46.3	4.5	3.3	54.1
Property, plant, and equipment	11.7	8.7	0.1	20.5
Cash and cash equivalents	0.8	2.8	1.1	4.7
Trade accounts receivable	1.3	4.1	0.4	5.8
Other current assets	5.8	1.3	0.5	7.6
Liabilities with third parties	–9.6	–2.8	–2.4	–14.8
Deferred tax liabilities	–13.7	–2.8	–0.8	–17.3
Net identifiable assets	**42.6**	**15.8**	**2.2**	**60.6**
Goodwill	43.9	27.2	2.0	73.1
Total consideration	**86.5**	**43.0**	**4.2**	**133.7**
Purchase price paid in cash	36.5	38.1	2.6	77.2
Contingent consideration	50.0	4.9	1.6	56.5
Total consideration	**86.5**	**43.0**	**4.2**	**133.7**

ASCOM/ProLabNL

On September 15, 2014, Sulzer acquired 100% of Advance Separation Company (ASCOM) B.V. and Process Laboratories Netherlands (ProLabNL) B.V. both located in Arnhem, the Netherlands. The Ascom/ProLabNL Group includes three subsidiaries. The acquisition expands the offering of the Sulzer Chemtech division for gas-liquid and liquid-liquid separation technologies. The goodwill is attributable to synergies from additional and combined solutions. Transaction cost recognized in the income statement amounted to CHF 0.3 million.

The contingent consideration is linked to the fulfillment of criteria such as order intake, gross profit, and EBITDA (earnings before interest, taxes, depreciation, and amortization) as well as the development of specified technologies and products. There are minimum threshold values for some of the mentioned criteria. The contingent consideration is limited at CHF 65.5 million and is payable within a period of three years. The calculation of the contingent consideration is based on a Monte-Carlo simulation using a confidence level of 95%.

Grayson Armature Inc.

On August 1, 2014, Sulzer acquired 100% of the shares of Grayson Armature Large Motor Division, Inc. and Grayson Armature Orange Texas, Inc. The Grayson companies were merged into Sulzer Grayson Inc. on the same day and operate as one legal entity. This acquisition adds electromechanical capabilities to Sulzer's Rotating Equipment Services division, complementing its range of services for rotating equipment. The goodwill is attributable to synergies from additional and combined solutions. Transaction cost recognized in the income statement amounted to CHF 0.3 million.

The contingent consideration consists of retention bonuses for key management personnel and a bonus linked to the continuation of a defined agreement with a customer. The liability is limited at CHF 5.9 million. The calculation of the contingent consideration is based on management's assessment that the criteria will be achieved at a probability of 90% to 95%.

aixfotec GmbH

On March 31, 2014, Sulzer acquired 100% of aixfotec GmbH, a leading technology company in extrusion systems for the production of polymer foams, based in Aachen, Germany. This acquisition widens Sulzer Chemtech's portfolio in the field of polymer technology and strengthens its position as a technology leader and system supplier in plastics manufacturing. The goodwill is attributable to synergies from combined solutions and shared services.

The contingent consideration consists of retention bonuses for key management personnel and a bonus linked to the gross margin from the company's product portfolio. The bonus for the gross margin is limited in amount, depends on the degree of gross margin realized within three years, and is payable on a yearly basis. The liability includes the full amount based on management's current estimate of the future market development.

Cash flow from acquisitions of subsidiaries

millions of CHF	2015	2014
Cash consideration paid	−45.6	−77.2
Contingent consideration paid	−22.0	–
Cash acquired	0.8	4.7
Payments for acquisitions in prior years	−3.3	−0.5
Total cash flow from acquisitions, net of cash acquired	**−70.1**	**−73.0**

Restated balance sheet as of December 31, 2014

In the financial statements 2014, the accounting for the ASCOM/ProLab and Grayson Armature Inc. acquisitions was provisional based on preliminary valuations of the assets and liabilities. These valuations have been finalized in 2015, and as a result the comparative balance sheet information as of December 31, 2014, has been restated.

millions of CHF	As reported 2014	Measurement adjustments	Restated 2014
Goodwill	675.1	18.6	693.7
Other intangible assets	317.4	−12.4	305.0
Other accounts receivable and prepaid expenses	148.6	−1.4	147.2
Deferred income tax liabilities	−93.7	2.5	−91.2
Other non-current liabilities	−30.9	−7.3	−38.2
Total	**1016.5**	**–**	**1016.5**

Restated acquisitions 2014: net assets acquired

millions of CHF	ASCOM as reported 2014	Grayson as reported 2014	aixfotec GmbH	Total as reported 2014	Measure-ment adjust-ments	Restated 2014
Intangible assets	58.7	4.5	3.3	66.5	−12.4	54.1
Property, plant, and equipment	11.7	8.7	0.1	20.5	–	20.5
Cash and cash equivalents	0.8	2.8	1.1	4.7	–	4.7
Trade accounts receivable	1.3	4.1	0.4	5.8	–	5.8
Other current assets	7.2	1.3	0.5	9.0	−1.4	7.6
Liabilities with third parties	−9.6	−2.8	−2.4	−14.8	–	−14.8
Deferred tax liabilities	−16.2	−2.8	−0.8	−19.8	2.5	−17.3
Net identifiable assets	**53.9**	**15.8**	**2.2**	**71.9**	**−11.3**	**60.6**
Goodwill	25.3	27.2	2.0	54.5	18.6	73.1
Contingent consideration	−42.7	−4.9	−1.6	−49.2	−7.3	−56.5
Purchase price paid in cash	**36.5**	**38.1**	**2.6**	**77.2**	**–**	**77.2**

Contingent consideration

millions of CHF	2015	Restated 2014
Balance as of January 1	56.5	2.3
Assumed in a business combination	6.7	56.5
Payment of contingent consideration	−22.0	–
Release to other operating income	−12.9	–
Currency translation difference	−6.2	−2.3
Total contingent consideration as of December 31	**22.1**	**56.5**

As of December 31, 2015, there was a decrease of CHF 12.9 million recognized in the income statement for the contingent consideration arrangements, as the assumed probability-adjusted gross profit and EBITDA (earnings before interests, taxes, depreciation, and amortization) was recalculated.

Discontinued operations

Effective June 2, 2014, Sulzer transferred control over Metco and consequently derecognized all related assets and liabilities.

Income statement from discontinued operations

millions of CHF	2015	2014
Sales	**–**	**301.7**
Expenses	–	−265.6
Operating income	**–**	**36.1**
Financial result	–	−0.5
Income before income tax expenses from operating activities	**–**	**35.6**
Income tax expenses	–	−9.0
Income from operating activities of discontinued operations	**–**	**26.6**
Gain on sale of discontinued operations before reclassification of currency translation differences	–	518.9
Reclassification of currency translation differences	–	−59.1
Income tax on sale of discontinued operations	–	−50.7
Net income from discontinued operations	**–**	**435.7**
Attributable to shareholders of Sulzer Ltd	–	435.7
Attributable to non-controlling interests	–	–

Cash flows from discontinued operations

millions of CHF	2015	2014
Total cash flow from operating activities	–	33.4
Total cash flow from investing activities	–	−8.0
Total cash flow from financing activities	–	−21.0

Effect of disposal on the financial position of the group

millions of CHF	2015	2014
Cash and cash equivalents	–	–34.0
Inventories	–	–128.3
Advance payments to suppliers	–	–4.9
Trade accounts receivable	–	–108.0
Other accounts receivable and prepaid expenses	–	–15.9
Intangible assets	–	–132.7
Property, plant, and equipment	–	–152.7
Other financial assets	–	–0.1
Non-current receivables	–	–17.1
Deferred income tax assets	–	–13.8
Trade accounts payable	–	37.2
Advance payments from customers	–	11.6
Short-term borrowings	–	0.1
Current income tax liabilities	–	18.9
Current provisions	–	5.3
Other current and accrued liabilities	–	53.0
Long-term borrowings	–	11.8
Deferred income tax liabilities	–	4.1
Non-current provisions	–	29.2
Net assets	**–**	**–436.3**
Consideration received (cash and cash equivalents)	0.2	955.1
Income tax on sale of discontinued operations	–	–50.7
Cash and cash equivalents disposed of	–	–34.0
Net cash inflow	**0.2**	**870.4**

6 Major currency exchange rates

CHF		2015		2014
	Average rate	Year-end rate	Average rate	Year-end rate
1 EUR	1.07	1.08	1.21	1.20
1 GBP	1.47	1.47	1.51	1.54
1 USD	0.96	0.99	0.92	0.99
1 BRL	0.29	0.25	0.39	0.37
1 CAD	0.75	0.71	0.83	0.85
100 CNY	15.32	15.23	14.86	15.94
100 INR	1.50	1.49	1.50	1.56
100 MXN	6.07	5.69	6.88	6.72
100 SEK	11.42	11.76	13.35	12.82
1 SGD	0.70	0.70	0.72	0.75
100 ZAR	7.57	6.36	8.44	8.55

7 Segment information

Segment information by divisions

millions of CHF	Pumps Equipment		Rotating Equipment Services		Chemtech	
	2015	2014	2015	2014	2015	2014
Order intake (unaudited)	**1 500.8**	**1 725.5**	**698.2**	**725.2**	**708.9**	**718.4**
Nominal growth (unaudited)	–13.0%	–4.2%	–3.7%	3.7%	–1.3%	–4.2%
Adjusted growth[1] (unaudited)	–6.7%	–1.1%	–0.9%	6.4%	1.4%	–2.1%
Order backlog as of December 31 (unaudited)	998.0	1 209.4	205.0	212.2	307.7	282.0
Sales[2]	**1 621.0**	**1 754.9**	**693.2**	**724.6**	**669.6**	**741.5**
Nominal growth	–7.6%	–3.7%	–4.3%	2.7%	–9.7%	–0.3%
Adjusted growth[1] (unaudited)	–1.6%	–0.5%	–1.9%	5.3%	–7.8%	1.6%
opEBITA[3]	**118.1**	**160.6**	**70.8**	**64.5**	**67.4**	**93.6**
in % of sales[4]	7.3%	9.2%	10.2%	8.9%	10.1%	12.6%
in % of average capital employed	15.8%	14.4%	16.8%	15.8%	16.6%	27.3%
Restructuring expenses	–23.8	–4.0	–10.3	–7.2	–7.2	–
Amortization	–17.2	–19.7	–6.3	–5.7	–16.7	–15.2
Impairments on tangible and intangible assets	–6.4	–340.0	–1.3	–	–5.4	–
Non-operational items	–7.9	–	–1.5	13.5	–4.6	–
EBIT[5]	**62.8**	**–203.1**	**51.4**	**65.1**	**33.5**	**78.4**
Depreciation	–29.2	–31.2	–14.7	–15.3	–26.3	–25.7
Operating assets	1 557.9	1 659.0	624.8	682.8	846.9	743.0
Unallocated assets	–	–	–	–	–	–
Total assets as of December 31	1 557.9	1 659.0	624.8	682.8	846.9	743.0
Operating liabilities	688.8	756.3	210.4	231.7	324.5	242.8
Unallocated liabilities	–	–	–	–	–	–
Total liabilities as of December 31	688.8	756.3	210.4	231.7	324.5	242.8
Operating net assets	869.1	902.7	414.4	451.1	522.4	500.2
Unallocated net assets	–	–	–	–	–	–
Total net assets as of December 31	869.1	902.7	414.4	451.1	522.4	500.2
Capital expenditure	30.6	41.5	16.6	26.4	24.0	22.6
Employees (number of full-time equivalents) as of December 31	6 996	7 365	3 538	3 709	3 539	4 287

[1] Adjusted for currency effects.
[2] Sales between segments are not material.
[3] Operating income before restructuring, amortization, impairments, and non-operational items.
[4] Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales).
[5] Operating income.

Segment information by divisions

millions of CHF	Total Divisions		Others[2]		Total Sulzer	
	2015	2014	**2015**	2014	**2015**	2014
Order intake	**2907.9**	**3169.1**	**–12.1**	**–8.3**	**2895.8**	**3160.8**
Nominal growth (unaudited)	–8.2%	–2.5%	n/a	n/a	–8.4%	–2.7%
Adjusted growth[1] (unaudited)	–3.6%	0.3%	n/a	n/a	–3.7%	0.0%
Order backlog as of December 31 (unaudited)	1510.7	1703.6	–	–4.0	1510.7	1699.6
Sales	**2983.8**	**3221.0**	**–12.8**	**–8.9**	**2971.0**	**3212.1**
Nominal growth	–7.4%	–1.5%	n/a	n/a	–7.5%	–1.6%
Adjusted growth[1] (unaudited)	–3.1%	1.2%	n/a	n/a	–3.2%	1.2%
opEBITA[3]	**256.3**	**318.7**	**–2.2**	**–15.8**	**254.1**	**302.9**
in % of sales[4]	8.6%	9.9%	n/a	n/a	8.6%	9.4%
in % of average capital employed	16.3%	17.1%	n/a	n/a	17.0%	17.1%
Restructuring expenses	–41.3	–11.2	0.1	–	–41.2	–11.2
Amortization	–40.2	–40.6	–2.1	–2.7	–42.3	–43.3
Impairments on tangible and intangible assets	–13.1	–340.0	0.1	–0.4	–13.0	–340.4
Non-operational items	–14.0	13.5	–22.7	9.5	–36.7	23.0
EBIT[5]	**147.7**	**–59.6**	**–26.8**	**–9.4**	**120.9**	**–69.0**
Depreciation	–70.2	–72.2	–3.9	–7.0	–74.1	–79.2
Operating assets	3029.6	3084.8	–159.3	96.9	2870.3	3181.7
Unallocated assets	–	–	–	–	1384.5	1471.3
Total assets as of December 31	3029.6	3084.8	–159.3	96.9	4254.8	4653.0
Operating liabilities	1223.7	1230.8	106.6	177.4	1330.3	1408.2
Unallocated liabilities	–	–	–	–	690.3	802.8
Total liabilities as of December 31	1223.7	1230.8	106.6	177.4	2020.6	2211.0
Operating net assets	1805.9	1854.0	–265.9	–80.5	1540.0	1773.5
Unallocated net assets	–	–	–	–	694.2	668.5
Total net assets as of December 31	1805.9	1854.0	–265.9	–80.5	2234.2	2442.0
Capital expenditure	71.2	90.5	2.5	5.5	73.7	96.0
Employees (number of full-time equivalents) as of December 31	14073	15361	180	133	14253	15494

[1] Adjusted for currency effects.
[2] The most significant activities under “Others” relate to the Corporate Center. Interdivisional order intake and sales are eliminated in this column.
[3] Operating income before restructuring, amortization, impairments, and non-operational items.
[4] Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales).
[5] Operating income.

Information about reportable segments

Operating segments are determined based on the reports reviewed by the Chief Executive Officer that are used to track performance, make strategic decisions and allocate resources to the segments. The business is managed on a divisional basis and the reported segments have been identified as follows:

Pumps Equipment—pump technology and solutions:
This division offers a wide range of pumping solutions and related equipment. The market focus is on (a) production, transport, and processing of crude oil and gas, (b) supply, treatment, and transport of water as well as wastewater collection, and (c) fossil-fired, nuclear, and renewable power generation. A global manufacturing and service network ensures high customer proximity.

Rotating Equipment Services — provider of service solutions for rotating equipment:
This division offers a full range of repair and maintenance services. The market focus is on (a) industrial gas and steam turbines, (b) turbocompressors, and (c) generators and motors.

Chemtech — separation, mixing, and service solutions:
This division offers products and services for separation, reaction, and mixing technology. The market focus is on (a) separation solutions, (b) tower field services, and (c) two-component mixing and dispensing systems. Customers benefit from advanced solutions in the fields of process technology and separation equipment, as well as two-component mixing and dispensing systems.

Others:
Certain expenses related to the Corporate Center are not attributable to a particular segment and are reviewed as a whole across the group. Also included are reconciling and other items, e.g. adjustments made in preparing the financial statements, and interdivisional order intake and sales elimination.

The Chief Executive Officer primarily uses a measure of adjusted earnings before interest, tax, and amortization (operational EBITA) to assess the performance of the operating segments. However, the Chief Executive Officer also receives information about the segments' order intake and backlog, revenue, and operating assets and liabilities on a monthly basis.

Operational EBITA (opEBITA) excludes amortization, restructuring expenses, and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes certain non-operational items that are non-recurring or do not regularly occur in similar magnitude such as acquisition-related expenses, gains and losses from sale of businesses or real estate, or expenses related to the Sulzer Full Potential program.

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

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

Segment information by region

The allocation of assets is based on their geographical location. Non-current assets exclude other financial assets, deferred tax assets, and employee benefit assets. The allocation of sales is based on the location of the customer.

millions of CHF	Non-current assets by region		Sales by region	
	2015	2014	**2015**	2014
Europe, Middle East, Africa	1 003.2	1 093.7	1 214.0	1 264.7
— thereof Switzerland	171.9	192.6	19.4	26.1
— thereof Germany	21.3	23.6	160.7	159.2
— thereof United Kingdom	171.4	175.5	191.2	215.8
— thereof Sweden	295.9	346.7	41.5	48.0
— thereof other countries	342.7	355.3	801.2	815.6
Americas	279.3	288.1	1 134.9	1 177.4
— thereof USA	227.3	221.5	778.0	746.4
— thereof Brazil	20.8	33.3	89.9	148.5
— thereof other countries	31.2	33.3	267.0	282.5
Asia-Pacific	137.1	150.1	622.1	770.0
— thereof China	76.8	85.8	236.2	319.7
— thereof India	17.5	15.5	51.6	70.0
— thereof other countries	42.8	48.8	334.3	380.3
Total	**1 419.6**	**1 531.9**	**2 971.0**	**3 212.1**

8 Personnel expenses

millions of CHF	2015	2014
Salaries and wages	802.4	836.4
Defined contribution plan expenses	23.9	26.8
Defined benefit plan expenses	29.0	15.8
Cost of share-based payment transactions	8.3	7.4
Other personnel costs	157.2	159.8
Total personnel expenses	**1 020.8**	**1 046.2**

9 Employee benefit plans

The defined benefit obligation for the active members of pension plans is the present value of accrued pension obligations at balance sheet date considering future salary and pension increases as well as turnover rates (using the Project Unit Credit Method). The defined benefit obligation for the retirees is the present value of the current and future pension benefits considering future pension increases.

						2015
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans Others	Unfunded plans	Total
Reconciliation of the amount recognized in the balance sheet as of December 31						
Present value of funded defined benefit obligation	−1 326.2	−598.3	−63.6	−54.6	–	−2 042.7
Fair value of plan assets	1 239.6	478.6	41.3	45.1	–	1 804.6
Overfunding (+) / underfunding (–)	**−86.6**	**−119.7**	**−22.3**	**−9.5**	**–**	**−238.1**
Present value of unfunded defined benefit obligation	–	–	–	–	−45.8	−45.8
Adjustment to asset ceiling	−1.3	–	–	–	–	−1.3
Asset (+) / liability (–) recognized in the balance sheet	**−87.9**	**−119.7**	**−22.3**	**−9.5**	**−45.8**	**−285.2**
— thereof as liabilities under defined benefit obligation	−97.5	−119.7	−22.3	−9.5	−45.8	−294.8
— thereof as prepaid expenses	9.6	–	–	–	–	9.6

						2014
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans Others	Unfunded plans	Total
Reconciliation of the amount recognized in the balance sheet as of December 31						
Present value of funded defined benefit obligation	−1 372.0	−670.1	−61.0	−62.6	–	−2 165.7
Fair value of plan assets	1 307.5	554.1	42.5	47.2	–	1 951.3
Overfunding (+) / underfunding (–)	**−64.5**	**−116.0**	**−18.5**	**−15.4**	**–**	**−214.4**
Present value of unfunded defined benefit obligation	–	–	–	–	−53.4	−53.4
Adjustment to asset ceiling	−2.4	–	–	–	–	−2.4
Asset (+) / liability (–) recognized in the balance sheet	**−66.9**	**−116.0**	**−18.5**	**−15.4**	**−53.4**	**−270.2**
— thereof as liabilities under defined benefit obligation	−77.4	−116.0	−18.5	−15.6	−53.4	−280.9
— thereof as prepaid expenses	10.5	–	–	0.2	–	10.7

Sulzer operates major funded defined benefit ("DB") pension plans in Switzerland, UK, Ireland, and the USA. Unfunded defined benefit plans relate to German pension benefit plans. The plans are exposed to actuarial risks, e.g. longevity risk, currency risk, interest rate risk, and the funded plans additionally to market (investment) risk.

In Switzerland, Sulzer contributes to two pension plans funded via two different pension funds, i.e. a base plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide benefits depending on the pension savings at retirement. They include certain legal minimum interest credits to the pension savings (i.e. investment return) and guaranteed rates of conversion of pension savings into an annuity at retirement. In addition, the plans offer death in service and disability benefits. The two pension funds are collective funds administrating pension plans of Sulzer group companies and also unrelated companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contribution by employer and employees or lower interest on pension savings, to eliminate the underfunding. The pension funds are legally separated from the group. The vast majority of the active participants in the two pension funds are employed by companies not belonging to the Sulzer group. The Board of Trustees for the base plan comprises ten employee and ten employer representatives. Based on the actual market environment the discount rate remained in 2015 at 0.7% (2014: 0.8%). The stable discount rate results in a similar return on plan assets and stable DBOs. The total expense for 2015 was CHF 18.0 million (2014: expense of CHF 6.8 million). In November 2014, the Board of Trustees decided the following changes: The applicable conversion rate for the pension plan will be decreased step by step over the next two years, the “Retirement savings capital” will be increased, and the risk contributions will be slightly reduced. The one-time effect of these changes resulted in a profit of CHF 8.0 million for 2014. No one-time effect was recognized in 2015.

In the UK, Sulzer operates two funded defined benefit plans managed as sections of the Sulzer Pension Scheme. The Company operates a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at retirement or earlier date of leaving service. The scheme consists of two sections, of which both sections are closed to new entrants and future accruals. The scheme is managed by six trustees forming the Board. Both plans are multi-employer schemes with Sulzer (UK) Holding being the principal sponsor. Based on the persistent low market interest rate, the discount rate was relatively stable at 3.6% (2014: 3.5%), which when combined with unfavorable asset performance over the period caused the net pension liability to increase from CHF 116.0 million in 2014 to CHF 119.7 million in 2015. The total expense recognized in the income statement has increased significantly to the previous year (2015: CHF 13.3 million compared to 2014: CHF 8.9 million) largely due to the much lower market interest rate at the start of the 2015 financial year.

In the USA, Sulzer operates non-contributory defined benefit retirement plans covering substantially all of their employees. The salaried plans provide benefits that are based on years of service and the employee’s compensation, averaged over the five highest consecutive years preceding retirement. The hourly plans’ benefits are based on years of service and a flat dollar benefit multiplier. All plans were closed to new entrants. In 2015 an expense of CHF 0.7 million was recognized in the income statement (2014: an expense of CHF 0.8 million). The discount rate remained unchanged at 4% as reported in 2014. This resulted in a slight increase of the amount recognized in OCI of CHF 4.3 million.

In addition, Sulzer sponsors two Irish-funded defined benefit plans. In 2013, the plan was closed for new entrants and a new defined contribution plan was introduced. The total expense recognized in the income statement was CHF 1.8 million in 2015 (2014: CHF 1.3 million).

In Germany, Sulzer operates a range of different DB pension plans. The majority of these plans are unfunded and benefits are paid directly by the employer to the beneficiaries as they became due. All DB plans are closed for new joiners and a new defined contribution plan for all employees was introduced in 2007. Existing employees who participated in the DB plans continued to be eligible for these DB pensions but became also eligible for the new defined contribution pensions. However, benefits received under the defined contribution plan are offset against the benefits under the DB plans. The different DB plans offer retirement pension, disability pension, and survivor’s pension benefits.

Employee benefit plans

millions of CHF	2015	2014
Reconciliation of effect of asset ceiling		
Adjustment to asset ceiling at January 1	−2.4	−51.5
Interest expense/(income) on effect of asset ceiling	–	−1.1
Change in effect of asset ceiling excl. interest income/(expense)	1.1	50.2
Adjustment to asset ceiling at December 31	**−1.3**	**−2.4**
Reconciliation of asset (+) / liability (–) recognized in the balance sheet		
Asset (+) / liability (–) recognized at January 1	−270.2	−116.6
Defined benefit cost recognized in profit or loss	−35.8	−20.2
Defined benefit cost recognized in OCI	−13.6	−174.9
Employer contribution	25.7	26.2
Change in scope of consolidation	–	20.3
Currency translation differences	8.7	−5.0
Asset (+) / liability (–) recognized at December 31	**−285.2**	**−270.2**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	−28.4	−23.5
Interest cost	−38.1	−57.8
Interest income on plan assets	31.3	54.5
Past service cost	–	8.0
Effects of curtailments and settlement	0.2	–
Interest expense/(income) on effect of asset ceiling	–	−1.1
Other administrative cost	−0.8	−0.3
Expense recognized in profit or loss	**−35.8**	**−20.2**
— thereof charged to personnel expenses	−29.0	−15.8
— thereof charged to financial expense	−6.8	−4.4
Components of defined benefit cost in OCI		
Actuarial gain/(loss) on defined benefit obligation	54.6	−299.2
Return on plan assets excl. interest income	−69.5	73.9
Change in effect of asset ceiling excl. interest expense/income	1.1	50.2
Return on reimbursement right excl. interest income	0.2	0.2
Defined benefit cost recognized in OCI[1)]	**−13.6**	**−174.9**

[1)] The tax effect on defined benefit cost recognized in OCI amounted to CHF 0.5 million (2014: CHF 37.0 million).

Employee benefit plans

millions of CHF	2015	2014
Reconciliation of defined benefit obligation		
Defined benefit obligation as of January 1	−2219.1	−2034.7
Interest cost	−38.1	−57.8
Current service cost (employer)	−28.4	−23.5
Contributions by plan participants	−9.1	−9.3
Past service cost	–	8.0
Benefits paid/deposited	111.5	120.6
Effects of curtailments and settlement	0.2	–
Change in scope of consolidation	–	108.3
Other administrative cost	−0.9	−0.3
Actuarial gain (+) / loss (–) on obligation	54.6	−299.2
Currency translation differences	40.8	−31.2
Defined benefit obligation as of December 31[1]	**−2088.5**	**−2219.1**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	1951.3	1969.6
Interest income on plan assets	31.3	54.5
Employer contribution	25.7	26.2
Contributions by plan participants	9.1	9.3
Benefits paid/deposited	−111.3	−120.6
Change in scope of consolidation	–	−88.1
Return on plan assets excl. interest income	−69.5	73.9
Currency translation differences	−32.0	26.5
Fair value of plan assets as of December 31	**1804.6**	**1951.3**
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	95.3	114.8
Equity instruments third parties	646.1	614.8
Equity instruments Sulzer Ltd	–	0.4
Debt instruments third parties	558.3	657.3
Real estate funds	33.7	28.7
Investment funds	0.2	0.3
Others	34.0	46.2
Total assets at fair value – quoted market price as of December 31	**1367.6**	**1462.5**
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third-parties (real estate)	265.8	264.2
Others	171.2	224.6
Total assets at fair value – non-quoted market price as of December 31	**437.0**	**488.8**
Best estimate of contributions for upcoming financial year		
Contributions by the employer	28.6	26.9

[1] The defined benefit obligation 2015 includes the funded part (CHF 2042.7 million) and the unfunded part (CHF 45.8 million).

Employee benefit plans

millions of CHF	2015	2014
Components of defined benefit obligation, split		
Defined benefit obligation at December 31 for active members	−475.7	−507.6
Defined benefit obligation at December 31 for pensioners	−1 362.5	−1 433.5
Defined benefit obligation at December 31 for deferred members	−250.3	−278.0
Total defined benefit obligation at December 31	−2 088.5	−2 219.1
Components of actuarial gain/(losses) on obligations		
Actuarial gain/(loss) arising from changes in financial assumptions	17.7	−318.6
Actuarial gain/(loss) arising from changes in demogr. assumptions	4.4	−2.9
Actuarial gain/(loss) arising from experience adjustments	32.5	22.3
Total actuarial gain/(loss) on defined benefit obligation	54.6	−299.2
Components of economic benefit available		
Economic benefits available in form of refund	–	0.2
Economic benefits available in form of reduction in future contribution	10.5	12.6
Total economic benefit available	10.5	12.8
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	12.7	13.1
Sensitivity analysis of defined benefit obligation		
Discount rate (decrease 0.25%)	−67.3	−73.1
Discount rate (increase 0.25%)	71.6	77.2
Future salary growth (decrease 0.25%)	3.5	11.7
Future salary growth (increase 0.25%)	4.9	−3.1
Life expectancy (decrease 1 year)	115.7	113.1
Life expectancy (increase 1 year)	−105.2	−103.3

Since the defined benefit obligation for the Swiss and UK pension plans represent more than 94% (2014: 94%) of the group, the following significant actuarial assumptions apply exclusively to the two countries:

millions of CHF	2015		2014	
Principal actuarial assumptions as of December 31	Switzerland	United Kingdom	Switzerland	United Kingdom
Discount rate for active employees	1.1%	3.6%	1.2%	3.5%
Discount rate for pensioners	0.6%	3.6%	0.8%	3.5%
Future salary increases	1.0%	3.4%	1.0%	3.9%
Future pension increases	0.0%	2.5%	0.0%	2.5%
Life expectancy at retirement age (male/female) in years	22/24	22/24	21/24	23/24

10 Research and development expenses

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

millions of CHF	2015	2014
Pumps Equipment	32.8	37.7
Rotating Equipment Services	1.3	2.3
Chemtech	37.6	38.1
Others	1.7	–1.9
Total	**73.4**	**76.2**

11 Other operating income and expenses

millions of CHF	2015	2014
Income from release of contingent consideration	12.9	–
Income from sale of property, plant, and equipment	0.3	14.4
Release of real estate provision	6.8	3.2
Income from services to third parties	0.2	4.3
Operating currency exchange gains, net	–	4.7
Income from legal cases	0.7	1.3
Income from negative past service costs	–	8.0
Other operating income	13.6	11.3
Total other operating income	**34.5**	**47.2**
Restructuring expenses	–41.2	–11.2
Impairments of tangible and intangible assets	–13.0	–0.3
Cost for mergers and acquisitions	–3.4	–4.9
Expenses related to defined benefit plans	–8.8	–5.0
Withholding tax expenses	–	–3.3
Loss from settlement of legal cases	–10.8	–0.8
Operating currency exchange losses, net	–3.8	–
Other operating expenses	–17.2	–19.1
Total other operating expenses	**–98.2**	**–44.6**
Total other operating income and expenses, net	**–63.7**	**2.6**

During 2015 the group reassessed the achievement of the earn-out targets related to contingent consideration arrangements. The reassessment resulted in an income of CHF 12.9 million. The group further released a provision of CHF 6.8 million for warranties made relating to the sale of Sulzer Real Estate Ltd in 2010 (2014: CHF 3.2 million).

Following the restructuring announcements in 2015, the group recognized restructuring cost of CHF 41.2 million (2014: CHF 11.2 million). The group further performed impairment tests on the related production machines and facilities leading to impairments of CHF 13.0 million (2014: CHF 0.3 million).

Following the decision of the arbitral tribunal regarding a dispute with the purchaser of the locomotive business (sold in 1998), the group recognized, in addition to the existing provision, expenses of CHF 8.7 million as loss from legal cases.

The difference between employer contribution and total defined benefit cost according to the actuarial calculation resulted in other operating expenses of CHF 8.8 million (2014: CHF 5.0 million).

12 Financial income and expenses

millions of CHF	2015	2014
Interest and securities income	6.5	6.4
Interest income on employee benefit plans	–	0.4
Total interest and securities income	**6.5**	**6.8**
Interest expenses	–21.1	–16.4
Interest expenses on employee benefit plans	–6.8	–4.8
Total interest expenses	**–27.9**	**–21.2**
Net interest expenses	**–21.4**	**–14.4**
Income from investments and other financial assets	0.1	–0.1
Fair value changes	12.8	–2.9
Other financial income/(expenses)	–1.4	–0.7
Currency exchange gains/(losses) (net)	–14.8	1.4
Total other financial expenses	**–3.3**	**–2.3**
Total financial expenses	**–24.7**	**–16.7**
— thereof from financial assets held at fair value through profit or loss	12.8	–2.9
— thereof from loans and receivables	–9.7	7.1
— thereof from borrowings	–21.1	–16.4
— thereof from investments	0.1	–0.1
— thereof from employee benefit plans	–6.8	–4.4

The income on interest and securities remained largely unchanged compared with 2014. Interest expenses comprise an extraordinary expense of CHF 5.2 million related to the dispute with the purchaser of the locomotive business as further detailed in note 27. Apart from that, interest expenses, comprising the annual expenses on the CHF 500 million bond of CHF 12.0 million, slightly decreased compared with 2014, mainly due to the reduction of other borrowings. The “Fair value changes” largely comprise the fair valuation of derivative financial instruments that are classified as financial assets or financial liabilities at fair value through profit or loss and that are used as hedging instruments with regard to foreign exchange risks.

13 Income taxes

millions of CHF	2015	2014
Current income tax expenses	–52.9	–89.6
Deferred income tax income	28.0	17.7
Total income tax expenses	**–24.9**	**–71.9**

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

Reconciliation of income tax expenses

millions of CHF	2015	2014
Income/(loss) from continuing operations before income tax expenses	99.9	–85.7
Weighted average tax rate	**23.2%**	**27.3%**
Income taxes at weighted average tax rate	–23.2	23.4
Income taxed at different tax rates	13.0	–17.0
Effect of tax loss carryforwards and allowances for deferred income tax assets	–3.7	1.5
Expenses not deductible for tax purposes incl. goodwill impairment	–4.3	–83.4
Effect of changes in tax rates and legislation	–1.0	0.3
Prior year items and others	–5.7	3.3
Total income tax expenses	**–24.9**	**–71.9**
Effective income tax rate	24.9%	–83.9%

The decrease in the effective income tax rate to 24.9% (2014: 28.3% excl. the goodwill impairment in the Water business) can be explained through a change in allocation of taxable profits among the countries.

Income tax liabilities

millions of CHF	2015	2014
Balance as of January 1	35.0	30.6
Changes in scope of consolidation	0.7	0.5
Additions	54.7	122.4
Released as no longer required	–13.4	–11.6
Utilized	–61.6	–107.5
Currency translation differences	–2.9	0.6
Total income tax liabilities as of December 31	**12.5**	**35.0**
— thereof non-current	2.6	2.6
— thereof current	9.9	32.4

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

			2015			2014
millions of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets[1]	0.3	–70.1	–69.8	0.3	–82.7	–82.4
Property, plant, and equipment	2.9	–16.3	–13.4	2.5	–22.5	–20.0
Other financial assets	3.4	–0.8	2.6	1.8	–2.9	–1.1
Inventories	20.6	–6.8	13.8	18.2	–5.5	12.7
Other assets	16.8	–9.2	7.6	25.9	–8.3	17.6
Non-current provisions	15.0	–2.8	12.2	13.2	–3.5	9.7
Defined benefit plans	52.4	–	52.4	51.0	–0.3	50.7
Current provisions	26.3	–1.2	25.1	24.7	–0.9	23.8
Other current liabilities	23.2	–15.5	7.7	23.2	–22.7	0.5
Tax loss carryforwards	25.4	–	25.4	21.6	–	21.6
Elimination of intercompany profits	0.7	–	0.7	2.5	–	2.5
Tax assets/liabilities	**187.0**	**–122.7**	**64.3**	**184.9**	**–149.3**	**35.6**
Offset of assets and liabilities	–53.3	53.3	–	–58.1	58.1	–
Net recorded deferred income tax assets and liabilities	133.7	–69.4	64.3	126.8	–91.2	35.6

[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.

Cumulative deferred taxes directly recognized in equity as of December 31, 2015, amounted to CHF 33.1 million (December 31, 2014: CHF 31.8 million). In compliance with the exception clause of IAS 12, the group does not recognize deferred taxes on investments in subsidiaries in the balance sheet.

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

						2015
millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of subsidiaries	Currency translation differences	Balance as of December 31
Intangible assets	−82.4	7.2	–	−0.3	5.7	−69.8
Property, plant, and equipment	−20.0	5.9	–	–	0.7	−13.4
Other financial assets	−1.1	1.1	0.8	–	1.8	2.6
Inventories	12.7	0.9	–	–	0.2	13.8
Other assets	17.6	−5.0	–	–	−5.0	7.6
Non-current provisions	9.7	3.2	–	–	−0.7	12.2
Defined benefit plans	50.7	−0.3	0.5	–	1.5	52.4
Current provisions	23.8	3.5	–	–	−2.2	25.1
Other current liabilities	0.5	5.8	–	–	1.4	7.7
Tax loss carryforwards	21.6	7.5	–	–	−3.7	25.4
Elimination of intercompany profits	2.5	−1.8	–	–	–	0.7
Total	**35.6**	**28.0**	**1.3**	**−0.3**	**−0.3**	**64.3**

						2014
millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of subsidiaries	Currency translation differences	Balance as of December 31
Intangible assets[1)]	−87.1	12.6	–	−12.5	4.6	−82.4
Property, plant, and equipment	−15.9	1.5	–	−4.8	−0.8	−20.0
Other financial assets	−4.7	3.6	2.4	–	−2.4	−1.1
Inventories	21.3	−9.5	–	–	0.9	12.7
Other assets	9.9	7.8	–	–	−0.1	17.6
Non-current provisions	3.4	5.9	–	–	0.4	9.7
Defined benefit plans	18.9	−5.7	37.0	–	0.5	50.7
Current provisions	22.7	–	–	–	1.1	23.8
Other current liabilities	−4.0	3.2	–	–	1.3	0.5
Tax loss carryforwards	23.5	−1.0	–	–	−0.9	21.6
Elimination of intercompany profits	2.9	−0.7	–	–	0.3	2.5
Total	**−9.1**	**17.7**	**39.4**	**−17.3**	**4.9**	**35.6**

[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.

Tax loss carryforwards

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	TLCF
					2015
Expiring in the next 3 years	10.1	1.9	−1.1	0.8	1.6
Expiring in 4–7 years	69.1	15.5	−4.7	10.8	23.3
Available without limitation	61.0	16.8	−3.0	13.8	12.1
Total tax loss carryforwards as of December 31	**140.2**	**34.2**	**−8.8**	**25.4**	**37.0**

millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	TLCF
					2014
Expiring in the next 3 years	21.4	5.1	−0.7	4.4	3.2
Expiring in 4–7 years	20.0	4.9	−1.9	3.0	7.6
Available without limitation	73.3	17.6	−3.4	14.2	13.7
Total tax loss carryforwards as of December 31	**114.7**	**27.6**	**−6.0**	**21.6**	**24.5**

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets have been recognized on tax loss carryforwards (TLCF) in the amount of CHF 37.0 million (2014: CHF 24.5 million).

14 Intangible assets

millions of CHF	Goodwill	Trademarks and licenses	Research and develop-ment	Computer software	Customer relationship	Total
						2015
Acquisition cost						
Balance as of January 1	1 033.7	144.6	9.6	44.7	348.3	1 580.9
Changes in scope of consolidation	31.4	0.4	–	–	8.5	40.3
Additions	–	–	–	2.1	–	2.1
Disposals	–	–	−0.7	−0.7	−0.1	−1.5
Reclassifications	–	0.1	−0.1	0.7	−0.4	0.3
Currency translation differences	−45.3	−11.9	−2.5	−2.2	−23.9	−85.8
Balance as of December 31	**1 019.8**	**133.2**	**6.3**	**44.6**	**332.4**	**1 536.3**
Accumulated amortization						
Balance as of January 1	340.0	82.5	2.0	38.3	119.4	582.2
Additions	–	13.1	1.0	4.0	24.2	42.3
Disposals	–	–	−0.7	−0.7	−0.1	−1.5
Reclassifications	–	–	–	–	−0.1	−0.1
Impairments	–	–	1.1	–	–	1.1
Currency translation differences	–	−2.2	−2.3	−2.1	−7.3	−13.9
Balance as of December 31	**340.0**	**93.4**	**1.1**	**39.5**	**136.1**	**610.1**
Net book value						
As of January 1	693.7	62.1	7.6	6.4	228.9	998.7
As of December 31	679.8	39.8	5.2	5.1	196.3	926.2

Following the announcement of a restructuring program in Switzerland, the group performed an impairment test on the related intangible assets, resulting in impairments as of December 31, 2015, of CHF 1.1 million (December 31, 2014: no impairments).

millions of CHF	Goodwill	Trademarks and licenses	Research and develop-ment	Computer software	Customer relationship	Total
						2014
Acquisition cost						
Balance as of January 1	978.4	155.1	2.5	44.0	316.2	1 496.2
Changes in scope of consolidation[1]	73.1	0.9	7.3	0.2	45.7	127.2
Additions	–	0.3	–	4.5	0.7	5.5
Disposals	–	−5.2	–	−6.1	−0.7	−12.0
Reclassifications	–	–	–	1.7	−4.1	−2.4
Currency translation differences	−17.8	−6.5	−0.2	0.4	−9.5	−33.6
Balance as of December 31	**1 033.7**	**144.6**	**9.6**	**44.7**	**348.3**	**1 580.9**
Accumulated amortization						
Balance as of January 1	–	73.4	–	38.5	102.1	214.0
Additions	–	13.3	1.4	5.3	23.3	43.3
Disposals	–	−2.5	–	−6.1	−0.4	−9.0
Reclassifications	–	–	–	–	−4.2	−4.2
Impairments	340.0	–	–	–	–	340.0
Currency translation differences	–	−1.7	0.6	0.6	−1.4	−1.9
Balance as of December 31	**340.0**	**82.5**	**2.0**	**38.3**	**119.4**	**582.2**
Net book value						
As of January 1	978.4	81.7	2.5	5.5	214.1	1 282.2
As of December 31	693.7	62.1	7.6	6.4	228.9	998.7

[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.

Goodwill impairment test

			2015			2014
millions of CHF	Goodwill	Growth rate residual value	Pre-tax discount rate	Goodwill	Growth rate residual value	Pre-tax discount rate
Goodwill, net book value as of December 31 is allocated as follows	**679.8**			**693.7**		
Pumps Equipment—business unit Water	272.9	1.0%	11.0%	281.8	1.0%	11.3%
Pumps Equipment—individually not significant	25.3	2.0%	10.6%	17.0	2.0%	11.3%
Rotating Equipment Services—region EMEA	145.1	2.0%	10.8%	172.4	2.0%	10.7%
Rotating Equipment Services—individually not significant	79.2	2.0%	10.6%	76.1	2.0%	10.7%
Chemtech	157.3	0.0%	10.0%	146.4	0.0%	10.2%

Goodwill is allocated to the smallest cash-generating unit (CGU) at which the goodwill is monitored for internal management purposes (i.e. business units or areas). The fair value of these units is determined by calculating its value in use over a five-year cash flow projection period. The calculation uses the budget for next year and the mid-term plan for subsequent periods that have been reviewed and approved by management. Cash flows beyond this planning period are extrapolated using a terminal value including the growth rates as stated above.

The impairment test performed in 2014 revealed that for the business unit Water the value in use was lower than its carrying amount by CHF 340 million, leading to a corresponding impairment of the goodwill. The carrying value of the net operating assets including the remaining goodwill equal to the recoverable amount. The impairment loss resulted from changes of the future growth and profitability assumptions in order to bring them in line with expected market developments, past performance of the business and from an adjusted pre-tax discount rate.

Sensitivity analyses

The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations influenced materially by the terminal growth rate used to determine the residual value, the discount rate, and the projected cash flows. A reduction of the terminal growth rate by 1% or an increase of the pre-tax discount rate by 1% would not lead to an impairment for all the cash-generating units.

15 Property, plant, and equipment

					2015
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
Acquisition cost					
Balance as of January 1	381.1	701.4	198.6	34.7	1315.8
Changes in scope of consolidation	8.9	5.2	2.1	–	16.2
Additions	5.2	24.5	6.8	35.1	71.6
Disposals	−3.2	−35.6	−5.8	–	−44.6
Reclassifications	9.9	28.4	2.7	−41.4	−0.4
Currency translation differences	−24.7	−44.8	−14.7	−2.4	−86.6
Balance as of December 31	**377.2**	**679.1**	**189.7**	**26.0**	**1272.0**
Accumulated depreciation					
Balance as of January 1	148.0	488.4	148.7	–	785.1
Changes in scope of consolidation	–	–	–	–	–
Additions	13.7	43.5	16.9	–	74.1
Disposals	−3.0	−30.6	−4.6	–	−38.2
Reclassifications	0.1	−0.3	0.4	–	0.2
Impairments	6.3	5.1	0.5	–	11.9
Currency translation differences	−9.6	−32.2	−10.7	–	−52.5
Balance as of December 31	**155.5**	**473.9**	**151.2**	**–**	**780.6**
Net book value					
As of January 1	233.1	213.0	49.9	34.7	530.7
As of December 31	221.7	205.2	38.5	26.0	491.4
Thereof leased property, plant, and equipment					
Acquisition cost of leased property, plant, and equipment	0.5	0.4	0.2	–	1.1
Accumulated depreciation	0.5	–	–	–	0.5
Net book value as of December 31	**–**	**0.4**	**0.2**	**–**	**0.6**
Leasing commitments (present value) as of December 31	**0.2**	**0.3**	**0.2**	**–**	**0.7**
Fire insurance value as of December 31	**520.5**	**1043.2**	**581.6**	**26.0**	**2171.3**
Pledged assets as of December 31	**–**	**2.3**	**–**	**–**	**2.3**

Following the restructuring announcements in 2015, the group performed impairment tests on the related production machines and facilities, resulting in impairments of CHF 11.9 million as of December 31, 2015 (December 31, 2014: CHF 0.3 million), all of which were charged to other operating expenses. The impaired assets do not meet the criteria for classification as held for sale as of December 31, 2015.

In 2015, fixed assets with a book value of CHF 6.4 million (2014: CHF 7.0 million) were sold for CHF 6.7 million (2014: CHF 21.4 million), resulting in a gain of CHF 0.3 million (2014: CHF 14.4 million).

					2014
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
Acquisition cost					
Balance as of January 1	346.8	652.0	189.0	28.6	1 216.4
Changes in scope of consolidation	7.1	13.2	0.2	–	20.5
Additions	13.6	27.3	13.4	36.3	90.6
Disposals	–6.9	–25.2	–15.7	–	–47.8
Reclassifications	8.0	14.6	8.0	–31.7	–1.1
Currency translation differences	12.5	19.5	3.7	1.5	37.2
Balance as of December 31	**381.1**	**701.4**	**198.6**	**34.7**	**1 315.8**
Accumulated depreciation					
Balance as of January 1	133.0	451.8	139.6	–	724.4
Changes in scope of consolidation	–	–	–	–	–
Additions	13.2	45.8	20.2	–	79.2
Disposals	–3.6	–21.7	–15.5	–	–40.8
Reclassifications	0.3	–1.0	1.4	–	0.7
Impairments	0.4	–0.1	–	–	0.3
Currency translation differences	4.7	13.6	3.0	–	21.3
Balance as of December 31	**148.0**	**488.4**	**148.7**	**–**	**785.1**
Net book value					
As of January 1	213.8	200.2	49.4	28.6	492.0
As of December 31	233.1	213.0	49.9	34.7	530.7
Thereof leased property, plant, and equipment					
Acquisition cost of leased property, plant, and equipment	0.7	2.4	0.5	–	3.6
Accumulated depreciation	0.7	1.3	0.3	–	2.3
Net book value as of December 31	**–**	**1.1**	**0.2**	**–**	**1.3**
Leasing commitments (present value) as of December 31	**–**	**0.7**	**–**	**–**	**0.7**
Fire insurance value as of December 31	**549.4**	**1 112.8**	**536.0**	**34.7**	**2 232.9**
Pledged assets as of December 31	**1.6**	**1.7**	**–**	**–**	**3.3**

16 Associates

millions of CHF	2015	2014
Balance as of January 1	2.5	–
Addition	0.1	2.4
Profit from continuing operations	3.7	–
Dividend payments received	−2.3	–
Currency translation differences	–	0.1
Total investments in associates as of December 31	**4.0**	**2.5**

The newly formed company Hua Rui in China started its operating activities in the first half of 2015. The year-to-date profit of Sulzer's 49% stake in the company was recognized in profit from continuing operations.

On June 26, 2015, Sulzer formed a new company with the Unaoil Group dedicated to the service of rotating equipment for oil and gas, and power customers in Southern Iraq. Sulzer's stake of 49% of the year-to-date profit was recognized in profit from continuing operations.

17 Other financial assets

			2015
millions of CHF	Available-for-sale	Loans and receivables	Total
Balance as of January 1	4.5	7.4	11.9
Additions	–	0.5	0.5
Currency translation differences	–	−0.8	−0.8
Balance as of December 31	**4.5**	**7.1**	**11.6**

			2014
millions of CHF	Available-for-sale	Loans and receivables	Total
Balance as of January 1	4.5	6.6	11.1
Additions	–	0.8	0.8
Disposals	–	−0.1	−0.1
Currency translation differences	–	0.1	0.1
Balance as of December 31	**4.5**	**7.4**	**11.9**

Financial assets that belong to the category "Available-for-sale financial assets" include investments in equity securities. The category "Loans and receivables" includes items with maturities beyond 12 months.

18 Inventories

millions of CHF	2015	2014
Raw materials, supplies, and consumables	120.9	123.3
Work in progress	207.6	270.5
Finished products and trade merchandise	80.8	93.7
Total inventories as of December 31	**409.3**	**487.5**

In 2015, Sulzer recognized write-downs of CHF 22.5 million (2014: CHF 18.1 million) in the income statement. Total accumulated write-downs on inventories amounted to CHF 72.9 million as of December 31, 2015 (2014: CHF 68.7 million). Material expenses in 2015 amounted to CHF 1 137.6 million (2014: CHF 1 235.3 million).

19 Percentage of completion contracts

millions of CHF	2015	2014
Contract revenue recognized for the year	**469.8**	**561.1**
Net receivables resulting from construction contracts as of December 31	190.7	176.8
Net liabilities resulting from construction contracts as of December 31	−31.9	−15.5
Advance payments received from customers for construction contracts as of December 31	−399.1	−436.2

Sales recognized in accordance with the percentage of completion method for the year 2015 amounted to CHF 469.8 million (thereof related to ongoing contracts CHF 294.2 million), which corresponds to 15.8% of total sales (2014: CHF 561.1 million, or 17.5% of sales). The costs related to these sales amounted to CHF 338.3 million (thereof to ongoing contracts CHF 230.9 million) and to CHF 425.7 million in 2014. The impact on gross profit was CHF 131.5 million, which corresponds to 14.4% of total gross profit (2014: CHF 135.4 million, 13.4%).

20 Trade accounts receivable

Aging structure of trade accounts receivable

			2015			2014
millions of CHF	Gross amount	Allowance	Net book value	Gross amount	Allowance	Net book value
Not past due	613.8	−1.0	612.8	675.1	−7.6	667.5
Past due						
1–30 days	85.7	−0.5	85.2	105.8	−0.1	105.7
31–60 days	38.8	−0.6	38.2	44.3	−0.8	43.5
61–120 days	33.9	−2.0	31.9	54.8	−8.4	46.4
>120 days	116.6	−33.6	83.0	115.6	−22.8	92.8
Total trade accounts receivable as of December 31	**888.8**	**−37.7**	**851.1**	**995.6**	**−39.7**	**955.9**

Allowance for doubtful trade accounts receivable

millions of CHF	2015	2014
Balance as of January 1	39.7	33.5
Changes in scope of consolidation	–	0.3
Additions	15.8	23.5
Released as no longer required	−9.8	−14.7
Utilized	−5.0	−4.1
Currency translation differences	−3.0	1.2
Balance as of December 31	**37.7**	**39.7**

Approximately 31% (2014: 32%) of the gross amount of trade accounts receivable is past due, and an allowance of CHF 37.7 million (2014: CHF 39.7 million) was recorded. The recoverability of trade accounts receivable is regularly reviewed, and the credit quality of new customers is thoroughly assessed. Due to the large and heterogeneous customer base, the credit risk of the group is limited.

Accounts receivable by geographical region

millions of CHF	Accounts receivable by region	
	2015	2014
Europe, Middle East, Africa	453.2	412.2
— thereof United Kingdom	167.2	93.7
— thereof Germany	54.1	21.8
— thereof Switzerland	39.6	37.4
— thereof other countries	192.3	259.3
Americas	203.5	283.7
— thereof USA	143.4	183.8
— thereof Mexico	27.0	20.0
— thereof other countries	33.1	79.9
Asia-Pacific	194.4	260.0
— thereof China	134.1	152.0
— thereof India	25.1	42.6
— thereof other countries	35.2	65.4
Total as of December 31	**851.1**	**955.9**

21 Other accounts receivable and prepaid expenses

millions of CHF	**2015**	2014[1)]
Receivables from tax authorities	59.9	64.0
Derivative financial instruments	6.4	7.4
Other accounts receivable	18.5	38.4
Total other accounts receivable as of December 31	**84.8**	**109.8**
Insurance premiums	2.5	2.6
Prepaid contributions to employee benefit plans	9.6	10.7
Other prepaid expenses	26.4	24.1
Total prepaid expenses as of December 31	**38.5**	**37.4**
Total other accounts receivable and prepaid expenses as of December 31	**123.3**	**147.2**

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

For further details on the position "Derivative financial instruments," refer to note 29. Other accounts receivable do not include any material positions that are past due or impaired.

22 Cash and cash equivalents

millions of CHF	**2015**	2014
Cash	902.2	865.9
Cash equivalents	106.8	328.8
Total cash and cash equivalents as of December 31	**1 009.0**	**1 194.7**

As of December 31, 2015 and 2014, the group held no significant restricted cash and cash equivalents.

23 Marketable securities

millions of CHF	2015	2014
Designated at fair value through profit or loss	208.3	106.8
Total marketable securities as of December 31	**208.3**	**106.8**

Marketable securities designated at fair value through profit or loss as of December 31, 2015, mainly comprises an investment in a fund investing in short-term bonds with high credit ratings. Further, during 2015 the group invested in time deposits and other interest-bearing investments with maturity between 3 and 12 months, leading to an increase of the carrying amount compared to 2014. Any fair value adjustments are recognized in financial income.

24 Share capital

	2015		2014	
thousands of CHF	Number of shares	Share capital	Number of shares	Share capital
Balance as of December 31 (par value CHF 0.01)	**34 262 370**	**342.6**	**34 262 370**	**342.6**

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

Share ownership

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

Shareholders holding more than 3%

	Dec 31, 2015		Dec 31, 2014	
	Number of shares	in %	Number of shares	in %
Renova Group	21 728 414	63.42	11 159 790	32.57
First Pacific Advisors	n/a	n/a	1 716 616	5.01
BlackRock	n/a	n/a	1 149 976	3.36
T. Rowe Price Associates	1 051 364	3.07	n/a	n/a

Sulzer Ltd is not aware of any agreements between the shareholders named above regarding the shares held or regarding the execution of voting rights.

Retained earnings

The retained earnings include prior years' undistributed income of consolidated companies and all remeasurements of the net liability for defined benefit plans.

Treasury shares

The total number of shares held by Sulzer Ltd as of December 31, 2015, amounted to 187 191 (December 31, 2014: 254 940 shares), which are mainly held for the purpose of issuing shares under the management share-based payment programs.

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

Currency translation reserve
The currency translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign controlled entities. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Dividends
On April 1, 2015, the Annual General Meeting approved a dividend of CHF 3.50 (2014: CHF 3.20) per share, to be paid out of reserves. The dividend was paid to shareholders on April 9, 2015, less 35 percent withholding tax. The total amount of the gross dividend paid was CHF 119.2 million (2014: CHF 109.6 million).

The Board of Directors decided to propose to the Annual General Meeting an ordinary dividend for the year 2015 of CHF 3.50 per outstanding share (2014: CHF 3.50 per outstanding share) and a special dividend of CHF 14.60 per outstanding share (2014: CHF 0.00 per outstanding share).

25 Earnings per share

	2015	2014
Net income attributable to shareholders of Sulzer Ltd — continuing operations	73.9	–160.7
Net income attributable to shareholders of Sulzer Ltd — discontinued operations	–	435.7
Net income attributable to shareholders of Sulzer Ltd (millions of CHF)	**73.9**	**275.0**
Issued number of shares	34 262 370	34 262 370
Adjustment for the average treasury shares held	–226 508	–255 061
Average number of shares outstanding as of December 31	**34 035 862**	**34 007 309**
Adjustment for share participation plans	148 139	153 808
Average number of shares for calculating diluted earnings per share as of December 31	**34 184 001**	**34 161 117**
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF) as of December 31		
Basic earnings per share	2.17	8.09
— thereof basic earnings per share continuing operations	2.17	–4.72
— thereof basic earnings per share discontinued operations	–	12.81
Diluted earnings per share	2.16	8.05
— thereof diluted earnings per share continuing operations	2.16	–4.70
— thereof diluted earnings per share discontinued operations	–	12.75

26 Borrowings

			2015			2014
millions of CHF	Short-term	Long-term	Total	Short-term	Long-term	Total
Bonds	499.6	–	499.6	–	498.9	498.9
Bank and other loans	14.5	6.5	21.0	17.5	10.8	28.3
Leasing obligations	0.3	0.7	1.0	0.2	0.6	0.8
Total borrowings as of December 31	**514.4**	**7.2**	**521.6**	**17.7**	**510.3**	**528.0**
— thereof due in <1 year	514.4	–	514.4	17.7	–	17.7
— thereof due in 1–5 years	–	7.0	7.0	–	510.0	510.0
— thereof due in >5 years	–	0.2	0.2	–	0.3	0.3

Borrowings by currency

	2015			2014		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
BRL	7.0	1.3	8.0%	22.0	4.2	8.0%
CHF	499.7	95.8	2.4%	498.9	94.5	2.3%
EUR	0.3	0.1	2.9%	0.4	0.1	4.0%
SAR	8.8	1.7	4.2%	–	–	–
Other	5.8	1.1	–	6.7	1.2	–
Total as of December 31	**521.6**	**100.0**	**–**	**528.0**	**100.0**	**–**

In May 2015 Sulzer voluntarily amended and extended its CHF 500 million syndicated credit facility originally signed in 2012. The new maturity date is May 2020 with two one-year extension options. The amended facility is further available for general corporate purposes including financing of acquisitions.

The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. The facility was not used during 2015 due to the group's net liquidity situation, and also the amount of other borrowings was further reduced.

Outstanding bond

	2015		2014	
millions of CHF	Amortized costs	Nominal	Amortized costs	Nominal
2.25% 07/2011–07/2016	499.6	500.0	498.9	500.0
Total as of December 31	**499.6**	**500.0**	**498.9**	**500.0**

In July 2011 Sulzer Ltd issued a CHF-denominated 2.25% domestic bond in the aggregate principal amount of CHF 500 million for a term of five years. This bond with maturity in July 2016 is reclassified from long- to short-term. The effective interest rate is 2.42%. The bond is traded at the SIX Swiss Exchange and the fair value amounts to CHF 506.4 million as per December 31, 2015 (2014: CHF 514.4 million). The fair value of the other financial borrowings is approximately equivalent to their carrying amount.

27 Provisions

millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1, 2015	36.8	99.5	1.3	16.5	64.9	219.0
Changes in scope of consolidation	1.4	–	–	–	–	1.4
Additions	31.1	34.9	40.1	–	16.2	122.3
Released as no longer required	−1.3	−16.4	–	–	−12.5	−30.2
Utilized	−24.3	−31.7	−13.1	–	−19.7	−88.8
Currency translation differences	−0.8	−8.4	−0.6	−0.4	−2.7	−12.9
Total provisions as of December 31, 2015	**42.9**	**77.9**	**27.7**	**16.1**	**46.2**	**210.8**
— thereof non-current	36.2	4.3	1.0	16.1	15.9	73.5
— thereof current	6.7	73.6	26.7	–	30.3	137.3

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

The utilized provision in the category "Warranties/liabilities" is mainly related to a settlement of a dispute of the locomotive business (sold in 1998). Following the decision of the arbitral tribunal the group recognized in addition to the existing provision, expenses of CHF 8.7 million in other operating income and expenses, and CHF 5.2 million as interest expenses.

As part of the Sulzer Full Potential (SFP) program, Sulzer has initiated several actions to adapt the global manufacturing capacities and streamline the organizational setup. Restructuring provisions are mainly associated with measures started in Brazil, the Netherlands, China, Switzerland, the United States, and Finland. In 2015, the group recognized restructuring provisions of CHF 40.1 million. The remaining provision as of December 31, 2015 is CHF 27.7 million, of which CHF 26.7 million is expected to be utilized within one year.

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

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to indemnities, in particular related from divestitures. In addition, provisions for ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, Sulzer is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although Sulzer expects a large part of the category “Other” to be realized in 2016, by their nature the amounts and timing of any cash outflows are difficult to predict.

28 Other current and accrued liabilities

millions of CHF	2015	2014
Social security institutions	10.6	10.5
Taxes (VAT, withholding tax)	19.3	42.8
Derivative financial instruments	11.2	11.6
Other current liabilities	13.7	33.5
Total other current liabilities as of December 31	**54.8**	**98.4**
Vacation and overtime claims	26.7	32.7
Salaries, wages, and bonuses	82.5	78.1
Contract-related costs	103.7	129.1
Other accrued liabilities	97.9	85.9
Total accrued liabilities as of December 31	**310.8**	**325.8**
Total other current and accrued liabilities as of December 31	**365.6**	**424.2**

29 Derivative financial instruments

	2015				2014			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
millions of CHF	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange contracts	437.5	6.4	589.5	11.6	407.1	7.4	582.6	11.6
Other derivative instruments	–	–	–	–	–	–	0.8	0.1
Total as of December 31	**437.5**	**6.4**	**589.5**	**11.6**	**407.1**	**7.4**	**583.4**	**11.7**
— thereof due in <1 year	437.3	6.4	571.7	11.2	406.4	7.4	579.8	11.6
— thereof due in 1–2 years	0.2	–	17.7	0.4	0.7	–	3.6	0.1
— thereof due in 3–5 years	–		0.1		–		–	

The notional and the fair value of derivative assets and liabilities include current and also non-current derivative financial instruments. The cash flow hedges of the expected future sales were assessed as highly effective. As at December 31, 2015, a net cumulative unrealized loss of CHF 12.8 million (2014: loss of CHF 10.1 million) with a deferred tax asset of CHF 3.6 million (2014: CHF 4.4 million) relating to these cash flow hedges were included in other comprehensive income. In 2015, a loss of CHF 3.1 million (2014: a gain of CHF 1.4 million) cash flow hedge reserve was recognized in profit or loss. There was no ineffectiveness that arose from cash flow hedges in 2015 (2014: CHF 0.0 million). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The hedged, highly probable forecast transactions denominated in foreign currency are mostly expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve (cash flow hedges) in equity on forward foreign exchange contracts as of December 31, 2015, are recognized either in sales, cost of goods sold, or in other operating income/expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case, recognition is over the lifetime of the asset (5 to 10 years).

The group enters into derivative financial instruments under enforceable master netting arrangements. These agreements do not meet the criteria for offsetting derivative assets and derivative liabilities in the consolidated balance sheet. As per December 31, 2015, the amount subject to such netting arrangements was CHF 3.8 million (2014: CHF 2.5 million). Considering the effect of these agreements the amount of derivative assets would reduce from CHF 6.4 million to CHF 2.6 million (2014: from CHF 7.4 million to CHF 4.9 million), and the amount of derivative liabilities would reduce from CHF 11.6 million to CHF 7.8 million (2014: from CHF 11.7 million to CHF 9.2 million).

30 Other financial commitments

	2015			2014		
millions of CHF	Rented premises	Other	Total	Rented premises	Other	Total
Maturity < 1 year	20.4	9.0	29.4	20.0	10.7	30.7
Maturity 1–5 years	51.8	12.3	64.1	51.4	18.4	69.8
Maturity > 5 years	23.1	–	23.1	19.1	–	19.1
Operating lease as of December 31	**95.3**	**21.3**	**116.6**	**90.5**	**29.1**	**119.6**
Total commitments for future investments and acquisitions as of December 31	**0.7**	**1.6**	**2.3**	**1.2**	**1.4**	**2.6**

31 Contingent liabilities

millions of CHF	**2015**	2014
Guarantees in favor of third parties	10.0	10.0
Total contingent liabilities as of December 31	**10.0**	**10.0**

As of December 31, 2015, guarantees provided to third parties amounted to CHF 10 million expiring in the year 2022. The guarantee is related to a disposed business and certain environmental matters.

32 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	**2015**	2014
Restricted share unit plan	9.6	6.4
Performance share plan	–1.3	1.0
Total charged to personnel expenses	**8.3**	**7.4**

Restricted share unit plan settled in Sulzer shares

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

During 2015, the Renova shareholder group exceeded the threshold of 50% of the voting rights in Sulzer Ltd., qualifying as a Change of Control under the RSU plan. The Change of Control triggered the accelerated vesting of all outstanding RSUs and entitled the plan participants to immediately receive shares. The group offered the plan participants the opportunity to continue participating in the RSU plans. If the plan participants waived the right to accelerated vesting and immediate allocation of shares and agreed to hold the RSUs through to the end of their original vesting periods, plan participants, not including the Members of the Board of Directors and the Executive Committee, received additional RSUs in a number equal to 20% of the number of unvested RSUs that the plan participants held at the time of the Change of Control. The additional RSUs granted will vest at the same date as the last tranche of the original RSUs.

Restricted share units

Grant year	2015	2014	2013	2012	2011	Total
Outstanding as of December 1, 2014	–	–	49635	36710	15681	102026
Granted	–	69984	303	–	–	70287
Exercised	–	–	–18761	–20516	–15681	–54958
Forfeited	–	–1725	–5665	–1852	–	–9242
Outstanding as of December 31, 2014	**–**	**68259**	**25512**	**14342**	**–**	**108113**
Outstanding as of December 1, 2015	–	68259	25512	14342	–	108113
Granted	98035	3426	993	–	–	102454
Exercised	–20621	–32046	–16212	–13204	–	–82083
Forfeited	–	–3713	–1682	–1138	–	–6533
Outstanding as of December 31, 2015	**77414**	**35926**	**8611**	**–**	**–**	**121951**
Average share price at grant date in CHF	102.18	122.00	166.61	129.13	142.62	

Performance share plan settled in Sulzer shares

This long-term incentive plan covers the members of the Executive Committee. Participants are granted performance-based share units (PSU).

Vesting of the PSU is subject to continuous employment and to the achievement of two equally weighted performance conditions over the performance period. The two performance conditions are based on cumulated operational EBITA and the relative performance of the Sulzer share price, measured as Total Shareholder Return (TSR), compared to a selected group of 30 peer companies. TSR is measured with a starting value of the Volume Weighted Average Share Price (VWAP) over the first three months of the first year, and an ending value of the VWAP over the last three months of the vesting period. The rank of Sulzer's TSR at the end of the performance period determines the effective number of total shares. The average fair market value at grant date has been calculated using a Monte Carlo simulation.

Performance share units — terms of awards

Grant year	2015	2014	2013
Number of awards granted	21665	15965	37035
Grant date	April 1, 15	April 1, 14	April 1, 13
Performance period for cumulative opEBITA	01/15–12/17	01/14–12/16	01/13–12/15
Performance period for TSR	04/15–03/18	04/14–03/17	04/13–03/16
Fair value at grant date in CHF	193.97	206.63	294.81

Performance share units

Grant year	2015	2014	2013	Total
Outstanding as of January 1, 2014	–	–	37 035	37 035
Granted	–	15 965	–	15 965
Exercised	–	–	–4 860	–4 860
Forfeited	–	–2 314	–5 717	–8 031
Outstanding as of December 31, 2014	**–**	**13 651**	**26 458**	**40 109**
Outstanding as of January 1, 2015	–	13 651	26 458	40 109
Granted	21 665	–	–	21 665
Exercised	–	–	–5 717	–5 717
Forfeited	–7 865	–6 439	–15 881	–30 185
Outstanding as of December 31, 2015	**13 800**	**7 212**	**4 860**	**25 872**

Share option plan

From 2002 until 2008, there was a Sulzer stock option plan in place for the Sulzer Management Group and Board members. Awards were made annually and were dependent on the organizational position of the employee. The exercise price was determined on the basis of the average stock market price of the Sulzer share during the last ten days before the options were granted.

Option right for ten Sulzer shares

Grant year	2005	2004	Total	Average exercise price in CHF
Outstanding as of January 1, 2014	1 410	200	1 610	49.67
Exercised	–830	–200	–1 030	48.24
Outstanding as of December 31, 2014	**580**	**–**	**580**	**52.20**
Outstanding as of January 1, 2015	580	–	580	52.20
Exercised	–580	–	–580	52.20
Outstanding as of December 31, 2015	**–**	**–**	**–**	**–**
Average share price at grant date in CHF	52.20	31.80		

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

Key management compensation

	2015				2014			
thousands of CHF	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total
Board of Directors	1 068	1 570	135	2 773	904	862	99	1 865
Executive Committee	5 375	57	1 781	7 213	5 994	2 250	1 809	10 053

The amounts for equity-based compensation are valued according to IFRS 2. There are no outstanding loans with members of the Board of Directors or the Executive Committee as per balance sheet date. No shares have been granted to members of the Board of Directors, the Executive Committee, or related persons, with the exception of shares granted in connection with equity-settled plans and service awards.

Related parties

As of December 31, 2015, sales with related parties controlled by the major shareholder (Renova Group) amounted to CHF 9.2 million (2014: CHF 16.2 million) with open receivables of CHF 2.0 million (2014: CHF 6.0 million). Open payables of CHF 0.6 million (2014: CHF 0.0 million) were recognized. Expenses for services from a company controlled by the major shareholder of Sulzer amounted to CHF 0.7 million (2014: CHF 0.2 million). Sales with associates recorded in 2015 amounted to CHF 2.5 million (2014: CHF 0.0 million). Open payables with associates amounted to CHF 1.0 million (2014: CHF 0.0 million). At the time when these consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2016, no other major business transactions or outstanding balances with the Renova Group, their representatives, or any other related parties or companies were known.

34 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 2.7 million (2014: CHF 2.6 million). Additional services provided by the group auditor amounted to a total of CHF 0.5 million (2014: CHF 0.3 million). This amount includes CHF 0.3 million (2014: CHF 0.3 million) for tax and legal advisory services and CHF 0.2 million for other consulting services (2014: CHF 0.0 million).

35 Corporate risk management process

Sulzer has an integrated risk management system that is under constant scrutiny for further improvement. A defined risk management process and four common tools (risk assessment schedule, risk-profiling matrix, risk description schedule, loss control schedule) are applied in order to assess and control all key risks, to implement and maintain risk financing and risk transfer measures, to monitor the results, and to define and implement corrective actions if required. In order to reflect the organizational changes towards a more market-oriented approach, the risk management process was adapted accordingly. Key risks were assessed on business unit level and consolidated on group level. The business units together with the divisions and the group functions generate their respective key risk-profiling matrices and complete and update the related risk control schedules on an annual basis. These schedules identify specific risk exposures and the related risk objectives, list existing loss controls, address their effectiveness, list (where required) additional or alternative loss controls, and determine responsibilities and time frames for their implementation. The business units' key risk-profiling matrices are reviewed at the group level and are then consolidated into a Sulzer key risk-profiling matrix. The head of Risk Management informs the Audit Committee at least once a year of the current risks and risk mitigation as well as of the progress toward achieving major risk objectives. The assessment of risk management processes is included within the charter and scope of Group Internal Audit.

36 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated financial statements for issue on February 24, 2016. They are subject to approval at the Annual General Meeting, which will be held on April 7, 2016. At the time when these consolidated financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any events that would materially affect these financial statements.

37 Major subsidiaries
December 31, 2015

December 31, 2015 Europe	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research & development	Production & engineering	Sales	Service
Switzerland	Sulzer Chemtech AG, Winterthur	100%	CHF 10 000 000	■	■	■	■	■
	Sulzer Mixpac AG, Haag	100%	CHF 100 000	■	■	■	■	
	Sulzer Markets and Technology AG, Winterthur	100%	CHF 4 000 000	■		■	■	■
	Sulzer Management AG, Winterthur	100%	CHF 500 000	■				
	Tefag AG, Winterthur	100%	CHF 500 000	■				
	Sulzer International AG, Winterthur	100%	CHF 100 000	■				
Belgium	Sulzer Pumps Wastewater Belgium N.V./S.A., St. Stevens-Woluwe	100%	EUR 123 947	■			■	■
Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	100%	EUR 3 000 000	■	■	■	■	■
	Sulzer Pumps Wastewater Germany GmbH, Bonn	100%	EUR 300 000				■	■
	Sulzer Pump Solutions Germany GmbH, Lohmar	100%	EUR 1 000 000			■		
	Sulzer Chemtech GmbH, Linden	100%	EUR 300 000	■			■	■
	Sulzer Pumps Grundbesitz Germany GmbH, Lohmar	100%	EUR 300 000	■		■		
Denmark	Sulzer Mixpac Denmark A/S, Greve	100%	DKK 500 000	■	■	■	■	■
	Sulzer Pumps Denmark A/S, Farum	100%	DKK 500 000	■			■	■
Finland	Sulzer Pumps Finland Oy, Kotka	100%	EUR 16 000 000	■	■	■	■	■
France	Sulzer Pompes France, Mantes	100%	EUR 6 600 000	■	■	■	■	■
Greece	Sulzer Pumps Wastewater Greece A.E., Athens	100%	EUR 117 400	■			■	■
Great Britain	Sulzer Pumps (UK) Ltd., Leeds	100%	GBP 9 610 000		■	■	■	■
	Sulzer Chemtech (UK) Ltd., Stockton on Tees	100%	GBP 100 000				■	■
	Dowding & Mills Plc., Birmingham	100%	GBP 15 409 555			■	■	■
	Sulzer (UK) Holdings Ltd., Leeds	100%	GBP 6 100 000	■				
Ireland	Sulzer Pump Solutions Ireland Ltd., Wexford	100%	EUR 2 222 500	■	■	■	■	■
	Sulzer Finance (Ireland) Limited, Wexford	100%	EUR 100	■				
Italy	Sulzer Pumps Wastewater Italy S.r.l., Casalecchio di Reno	100%	EUR 600 000	■			■	
	Sulzer Chemtech Italia S.r.l., Milano	100%	EUR 100 000	■			■	
Norway	Sulzer Pumps Wastewater Norway A/S, Sandvika	100%	NOK 502 000	■			■	■
	Sulzer Pumps Norway A/S, Klepp Stasjon	100%	NOK 500 000	■			■	■
The Netherlands	Sulzer Pumps Wastewater Netherlands B.V., Maastricht-Airport	100%	EUR 15 882				■	■
	Sulzer Chemtech Nederland B.V., Breda	100%	EUR 1 134 451				■	■
	Sulzer Turbo Services Rotterdam B.V., Europoort	100%	EUR 18 000			■	■	■
	Advanced Separation Company (Ascom) B.V., Arnhem	100%	EUR 18 000		■	■	■	
	Process Laboratories Netherlands (PROLAB NL) B.V., Arnhem	100%	EUR 18 000		■			■
	Sulzer Turbo Services Venlo B.V., Lomm	100%	EUR 444 704			■	■	■
	Sulzer Netherlands Holding B.V., Breda	100%	EUR 10 010 260	■				
	Sulzer Capital B.V., Breda	100%	EUR 50 000					

December 31, 2015 **Europe**	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research & development	Production & engineering	Sales	Service
Austria	Sulzer Austria GmbH, Wiener Neudorf	100%	EUR 350 000	■			■	■
Poland	Sulzer Turbo Services Poland Sp. z o.o., Lublin	100%	PLN 2 427 000			■		■
	Sulzer Pumps Wastewater Poland Sp. z o.o., Warszawa	100%	PLN 800 000	■			■	■
Russia	ZAO Sulzer Pumps, St. Petersburg	100%	RUB 8 000 000	■			■	
	Sulzer Pumps Rus LLC, Moscow	100%	RUB 6 000 600	■			■	■
	Sulzer Turbo Services Rus LLC, Moscow	100%	RUB 7 500 000	■				■
	Sulzer Chemtech LLC, Serpukhov	100%	RUB 55 500 000	■		■	■	■
Sweden	Sulzer Pumps Sweden AB, Norrköping	100%	SEK 3 000 000	■	■	■	■	■
Spain	Sulzer Pumps Spain S.A., Madrid	100%	EUR 1 750 497	■			■	
	Sulzer Pumps Wastewater Spain S.A., Rivas Vaciamadrid	100%	EUR 2 000 000				■	■
Turkey	Sulzer Pompa Çözümleri Ltd. Sti., Istanbul	100%	TRY 800 000	■			■	■
North America								
Canada	Sulzer Pumps (Canada) Inc., Burnaby	100%	CAD 2 771 588			■	■	■
	Sulzer Chemtech Canada Inc., Edmonton	100%	CAD 1 000 000	■		■	■	■
	Sulzer Rotating Equipment Services (Canada) Ltd., Edmonton	100%	CAD 7 000 000	■		■	■	■
USA	Sulzer Pumps (US) Inc., Brookshire, Texas	100%	USD 40 381 108		■	■	■	■
	Sulzer Pumps Solutions Inc., Easley, South Carolina	100%	USD 27 146 250			■	■	■
	Sulzer Pump Services (US) Inc., Brookshire, Texas	100%	USD 1 000			■	■	■
	Sulzer Chemtech USA, Inc., Tulsa, Oklahoma	100%	USD 47 895 000		■	■	■	■
	Sulzer Mixpac USA Inc., Salem, New Hampshire	100%	USD 100				■	
	Sulzer Turbo Services Houston Inc., La Porte, Texas	100%	USD 18 840 000			■	■	■
	Sulzer Turbo Services New Orleans Inc., Belle Chasse, Louisiana	100%	USD 4 006 122			■	■	■
	Sulzer Grayson Inc., Pasadena, Texas	100%	USD 12 461 286			■	■	■
	Sulzer US Holding Inc., Sugar Land, Texas	100%	USD 200 561 040	■				
Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	100%	MXN 4 887 413	■		■	■	■
	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	100%	MXN 31 345 500	■		■	■	■

Major subsidiaries
December 31, 2015

December 31, 2015 Central and South America	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research & development	Production & engineering	Sales	Service
Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	100%	ARS 9 730 091	■		■	■	■
Brazil	Sulzer Brasil S.A., Jundiaí	100%	BRL 82 054 659	■		■	■	■
	Sulzer Pumps Wastewater Brasil Ltda., Curitiba	100%	BRL 18 166 785	■		■	■	■
	Sulzer Services Brasil, Triunfo	100%	BRL 40 675 856	■				■
Chile	Sulzer Bombas Chile Ltda., Vitacura	100%	CLP 46 400 000	■			■	
Colombia	Sulzer Pumps Colombia S.A.S., Cota	100%	COP 7 800 000 000	■			■	■
Venezuela	Sulzer Pumps (Venezuela) S.A., Barcelona	100%	VEB 200 000 000				■	■
	Sulzer Turbo Services Venezuela S.A., Caracas	100%	VEB 5 000	■				■
Africa								
South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	75%	ZAR 100 450 000		■	■	■	■
	Sulzer (South Africa) Holdings (Pty) Ltd., Elandsfontein	100%	ZAR 16 476	■		■	■	■
	Sulzer Chemtech (Pty) Ltd., Johannesburg	100%	ZAR 121	■		■	■	■
	Sulzer Pumps Wastewater South Africa (Pty) Ltd., Johannesburg	100%	ZAR 1 001	■			■	■
Morocco	Expert International Pompe Service SARL[1], Casablanca	100%	MAD 3 380 000	■				■
Nigeria	Sulzer Pumps (Nigeria) Ltd., Lagos	100%	NGN 10 000 000	■			■	■
Zambia	Sulzer Zambia Ltd., Chingola	100%	ZMK 15 000 000	■			■	■
Middle East								
United Arab Emirates	Sulzer Pumps Middle East FZCO, Dubai	100%	AED 500 000	■			■	■
	Sulzer Saudi Pump Company Limited[1], Riyadh	75%	SAR 44 617 000	■		■	■	■
Bahrain	Sulzer Chemtech Middle East S.P.C., Al Seef	100%	BHD 50 000	■			■	

[1] Acquired in 2015.

December 31, 2015 **Asia**	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research & development	Production & engineering	Sales	Service
India	Sulzer Pumps India Ltd., Navi Mumbai	99%	INR 25 000 000	■		■	■	■
	Sulzer India Pvt. Ltd., Pune	100%	INR 34 500 000	■		■	■	■
	Sulzer Tech India Pvt. Ltd., Navi Mumbai	100%	INR 100 000	■		■		
	Sulzer Chemtech Tower Field Services (India) Pvt. Ltd., Mumbai	100%	INR 500 000				■	■
Indonesia	PT Sulzer Turbo Services Indonesia, Purwakarta	100%	IDR 28 234 800 000	■		■	■	■
	PT Sulzer Pumps Indonesia, Purwakarta	100%	USD 300 000	■				■
Japan	Sulzer Daiichi K.K., Tokyo	60%	JPY 30 000 000	■			■	
	Sulzer Japan Ltd., Tokyo	100%	JPY 10 000	■		■	■	■
Malaysia	Sulzer Pumps Wastewater Malaysia Sdn. Bhd., Selangor Darul Ehsan	100%	MYR 500 000	■			■	
	Advanced Separation Company Asia SDN BHD, Kuala Lumpur	100%	MYR 2	■			■	
Singapore	Sulzer Asia Pacific Pte. Ltd., Singapore	100%	SGD 1 000 000	■		■	■	■
	Sulzer Asia Holding Pte. Ltd., Singapore	100%	SGD 31 894 001	■				
	Sulzer Chemtech Pte. Ltd., Singapore	100%	SGD 1 000 000	■	■	■	■	■
South Korea	Sulzer Korea Ltd., Seoul	100%	KRW 222 440 000	■			■	
Thailand	Sulzer Chemtech Co., Ltd., Rayong	100%	THB 5 000 000	■				■
People's Republic of China	Sulzer Dalian Pumps & Compressors Ltd., Dalian	100%	CHF 21 290 000	■		■	■	■
	Sulzer Pumps Suzhou Ltd., Suzhou	100%	CNY 82 069 324	■		■	■	■
	Sulzer Pump Solutions (Kunshan) Co., Ltd., Kunshan	100%	USD 5 760 000	■		■		
	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	100%	CNY 61 432 607	■	■	■	■	■
	Sulzer Pumps Wastewater Shanghai Co. Ltd., Shanghai	100%	USD 1 550 000	■			■	■
Australia								
	Sulzer Chemtech Pty Ltd., Brisbane	100%	AUD 500 000	■			■	■
	Sulzer Australia Pty Ltd., Brendale	100%	AUD 5 308 890			■	■	■
	Sulzer Australia Holding Pty Ltd., Wheelers Hill	100%	AUD 34 820 100	■				

KPMG

Report of the Statutory Auditor to the General Meeting of Shareholders of Sulzer Ltd, Winterthur

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Sulzer Ltd, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 95 to 155) for the year ended December 31, 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations, and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Zurich, February 24, 2016

François Rouiller	Roman Wenk
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Five-year summaries of key financial data

Key figures from consolidated income statement and statement of cash flows

millions of CHF		2015	2014	2013	2012	2011
Order intake		2895.8	3160.8	3249.9	3343.4	3566.1
Order intake gross margin		33.8%	33.5%	33.5%	34.5%	33.1%
Order backlog		1510.7	1699.6	1672.1	1753.6	1864.0
Sales		2971.0	3212.1	3263.9	3340.7	3577.9
Operating income	EBIT	120.9	−69.0	264.0	328.7	364.1
Operational EBITA	opEBITA	254.1	302.9	304.1	378.4	431.3
Operational EBITA margin (operational EBITA/sales)	opROSA	8.6%	9.4%	9.3%	11.3%	12.1%
Return on capital employed (operational EBITA in % of average capital employed)[1]	opROCEA	17.0%	17.1%	14.6%	18.1%	20.6%
Net income attributable to shareholders of Sulzer Ltd		73.9	275.0	234.4	302.9	279.8
— in percentage of equity attributable to shareholders of Sulzer Ltd	ROE	3.3%	11.3%	10.0%	13.7%	13.8%
Reported EPS	EPS	2.17	8.09	6.89	8.91	8.25
Depreciation		−74.1	−79.2	−73.0	−66.8	−78.5
Amortization		−42.3	−43.3	−41.6	−41.5	−39.7
Impairments on tangible and intangible assets[2]		−13.0	−0.4	0.0	−0.2	−0.5
Research and development expenses		−73.4	−76.2	−70.6	−66.9	−71.7
Capital expenditure		73.7	96.0	80.5	93.0	113.2
Free cash flow		155.8	98.0	218.7	347.9	82.3
FCF conversion (free cash flow/net income)		2.08	0.35	0.93	1.12	0.29
Employees (number of full-time equivalents) as of December 31		14253	15494	15382	15537	17002
Personnel expenses		1020.8	1046.2	1047.4	1019.8	1056.3

[1] Since 2014 opEBITA/operational capital employed (excl. other intangible assets). For 2013 and earlier capital employed.
[2] does not include impairment on goodwill.

Key figures from consolidated balance sheet

millions of CHF	2015	2014	2013	2012	2011
Non-current assets	1574.0	1681.9	1891.5	2237.8	2225.6
— thereof property, plant, and equipment	491.4	530.7	492.0	650.0	619.5
Current assets	2680.8	2971.1	2652.4	2371.7	2336.0
— thereof cash and cash equivalents and marketable securities	1217.3	1301.5	528.7	513.1	430.7
Total assets	4254.8	4653.0	4543.9	4609.5	4561.6
Equity attributable to shareholders of Sulzer Ltd	2224.7	2435.4	2334.4	2216.6	2022.4
Non-current liabilities	472.1	994.5	825.3	956.5	998.7
— thereof long-term borrowings	7.2	510.3	515.9	533.0	531.4
Current liabilities	1548.5	1216.5	1377.9	1429.6	1534.5
— thereof short-term borrowings	514.4	17.7	56.6	76.0	236.2
Net liquidity[1]	695.7	773.5	−36.2	−95.9	−336.9
Equity ratio[2]	52.3%	52.4%	51.4%	48.1%	44.3%
Borrowings-to-equity ratio (gearing)	0.23	0.22	0.25	0.27	0.38

[1] Cash and cash equivalents and marketable securities, less short- and long-term borrowings from continuing and discontinued operations.
[2] Equity attributable to shareholders of Sulzer Ltd in relation to total assets.

Five-year summaries by division

	Order intake					Sales				
millions of CHF	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Divisions	**2907.9**	**3169.1**	**3250.7**	**3334.6**	**3558.5**	**2983.8**	**3221.0**	**3270.9**	**3332.6**	**3570.1**
Pumps Equipment/Sulzer Pumps[1]	1500.8	1725.5	1801.5	2094.3	1705.6	1621.0	1754.9	1821.6	2097.5	1747.8
Rotating Equipment Services/Sulzer Turbo Services[1]	698.2	725.2	699.3	535.2	477.6	693.2	724.6	705.6	510.5	488.0
Chemtech	708.9	718.4	749.9	705.1	701.7	669.6	741.5	743.7	724.6	667.0
Sulzer Metco	–	–	–	–	673.6	–	–	–	–	667.3
Others	**–12.1**	**–8.3**	**–0.8**	**8.8**	**7.6**	**–12.8**	**–8.9**	**–7.0**	**8.1**	**7.8**
Total	**2895.8**	**3160.8**	**3249.9**	**3343.4**	**3566.1**	**2971.0**	**3212.1**	**3263.9**	**3340.7**	**3577.9**

	Order backlog					Employees[2]				
millions of CHF	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Divisions	**1510.7**	**1703.6**	**1672.1**	**1754.3**	**1861.7**	**14073**	**15361**	**15198**	**15362**	**16758**
Pumps Equipment/Sulzer Pumps[1]	998.0	1209.4	1190.9	1309.1	1343.5	6996	7365	7389	8573	8211
Rotating Equipment Services/Sulzer Turbo Services[1]	205.0	212.2	190.7	151.6	130.1	3538	3709	3642	2703	2654
Chemtech	307.7	282.0	290.5	293.6	310.7	3539	4287	4167	4086	3634
Sulzer Metco	–	–	–	–	77.4	–	0	0	0	2259
Others	**–**	**–4.0**	**–**	**–0.7**	**2.3**	**180**	**133**	**184**	**175**	**244**
Total	**1510.7**	**1699.6**	**1672.1**	**1753.6**	**1864.0**	**14253**	**15494**	**15382**	**15537**	**17002**

	Operational EBITA					Operational capital employed				
millions of CHF	**2015**	2014	2013	2012	2011	**2015**	2014	2013[3]	2012[3]	2011[2]
Divisions	**256.3**	**318.7**	**332.9**	**373.1**	**437.8**	**1574.6**	**1866.9**	**2158.7**	**2270.1**	**1965.9**
Pumps Equipment/Sulzer Pumps[1]	118.1	160.6	166.9	228.1	221.0	746.3	1115.6	n/a	1464.6	820.0
Rotating Equipment Services/Sulzer Turbo Services[1]	70.8	64.5	71.0	61.7	60.7	422.0	408.7	n/a	371.5	356.2
Chemtech	67.4	93.6	95.0	83.3	79.7	406.3	342.6	412.8	434.0	412.2
Sulzer Metco	–	–	–	–	76.4	–	–	–	–	377.5
Others	**–2.2**	**–15.8**	**–28.8**	**5.3**	**–6.5**	**–76.8**	**–99.6**	**–68.9**	**–26.2**	**–29.4**
Total	**254.1**	**302.9**	**304.1**	**378.4**	**431.3**	**1497.8**	**1767.3**	**2089.8**	**2243.9**	**1936.5**

1 Values for the years 2011 to 2012 are based on the former divisional structure with Sulzer Pumps, Sulzer Turbo Services, and Sulzer Chemtech.
2) Number of full-time equivalents as of December 31.
3) Since 2014 operational capital employed (excl. other intangible assets). For 2013 and earlier capital employed.

Five-year summaries by region

Order intake by region

millions of CHF	2015	2014	2013	2012	2011
Europe, Middle East, Africa	1303.7	1305.5	1329.7	1431.2	1554.5
Americas	1065.3	1165.4	1123.2	1214.9	1225.5
Asia-Pacific	526.8	689.9	797.0	697.3	786.1
Total	**2895.8**	**3160.8**	**3249.9**	**3343.4**	**3566.1**

Sales by region

millions of CHF	2015	2014	2013	2012	2011
Europe, Middle East, Africa	1214.0	1264.7	1402.4	1421.2	1574.6
Americas	1134.9	1177.4	1130.0	1145.5	1167.6
Asia-Pacific	622.1	770.0	731.5	774.0	835.7
Total	**2971.0**	**3212.1**	**3263.9**	**3340.7**	**3577.9**

Capital employed (average) by company location

millions of CHF	2015	2014	2013 [1]	2012 [1]	2011 [1]
Europe, Middle East, Africa	875.5	1152.4	1365.1	1500.2	1319.7
Americas	415.8	406.6	481.0	497.0	418.1
Asia-Pacific	206.5	208.3	243.7	246.7	198.7
Total	**1497.8**	**1767.3**	**2089.8**	**2243.9**	**1936.5**

Employees by company location [2]

	2015	2014	2013	2012	2011
Europe, Middle East, Africa	6504	6607	6749	6938	8211
Americas	4139	4545	4361	4653	4739
Asia-Pacific	3610	4342	4272	3946	4051
Total	**14253**	**15494**	**15382**	**15537**	**17001**

[1] Since 2014 operational capital employed (excl. other intangible assets). For 2013 and earlier capital employed.
[2] Number of full-time equivalents as of December 31.

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Financial Statements of Sulzer Ltd

Balance sheet of Sulzer Ltd
December 31

millions of CHF	Notes	2015	2014
Current assets			
Cash and cash equivalents		563.3	640.6
Marketable securities[1]		98.4	99.4
Accounts receivable from subsidiaries		392.9	81.7
Other current accounts receivable[1]		1.2	0.5
Prepaid expenses[1]		1.8	1.1
Total current assets		**1 057.6**	**823.3**
Non-current assets			
Loans to subsidiaries		472.9	684.4
— thereof subordinated CHF 0.0 million (2014: CHF 2.8 million)			
Other loans and financial assets		4.5	4.5
Investments in subsidiaries[1]	3	1 465.4	1 342.0
Investments in third parties[1]		3.6	3.1
Total non-current assets		**1 946.4**	**2 034.0**
Total assets		**3 004.0**	**2 857.3**
Current liabilities			
Current interest-bearing liabilities	5	499.6	–
Current interest-bearing liabilities with subsidiaries		21.9	–
Current liabilities with subsidiaries		22.1	11.2
Other current liabilities[1]		2.6	0.9
Accrued liabilities[1]		20.1	17.3
Current provisions		5.7	8.6
Total current liabilities		**572.0**	**38.0**
Non-current liabilities			
Non-current interest-bearing liabilities	5	–	498.9
Non-current provisions		57.8	64.6
Total non-current liabilities		**57.8**	**563.5**
Total liabilities		**629.8**	**601.5**
Equity			
Registered share capital	4	0.3	0.3
Legal capital reserves[1]		205.5	205.5
Voluntary retained earnings			
— Free reserves		1 786.5	1 486.5
— Retained earnings		170.6	15.5
— Net profit for the year		229.2	575.0
Treasury shares[1]	4	–17.9	–27.0
Total equity		**2 374.2**	**2 255.8**
Total equity and liabilities		**3 004.0**	**2 857.3**

[1] Certain prior-year amounts have been reclassified to conform to current year's presentation. These primarily relate to the changes due to the new Swiss Code of Obligations.

Income statement of Sulzer Ltd

January 1 – December 31

millions of CHF	Notes	2015	2014
Income			
Investment income	8	278.5	999.0
Financial income		46.7	32.0
Other income		40.2	44.7
Total income		**365.4**	**1 075.7**
Expenses			
Administrative expenses	7	72.8	48.8
Financial expenses[1)]		36.8	25.4
Investment and loan expenses	8	22.4	419.0
Other expenses[1)]		2.0	4.4
Direct taxes		2.2	3.1
Total expenses		**136.2**	**500.7**
Net profit for the year		**229.2**	**575.0**

[1)] Certain prior-year amounts have been reclassified to conform to current year's presentation. These primarily relate to the changes due to the new Swiss Code of Obligations.

Statement of changes in equity of Sulzer Ltd

January 1 – December 31

millions of CHF	Share capital	Legal reserves	Reserves for treasury shares	Free reserves	Retained earnings	Net income	Treasury shares	Total
Equity as of December 31, 2013	**0.3**	**178.6**	**26.9**	**1 226.5**	**13.6**	**371.5**	**–40.6**	**1 776.8**
Transfer		26.9	–26.9					–
Equity as of January 1, 2014	**0.3**	**205.5**	**–**	**1 226.5**	**13.6**	**371.5**	**–40.6**	**1 776.8**
Dividend						–109.6		–109.6
Allocation of net income				260.0	1.9	–261.9		–
Net profit for the year						575.0		575.0
Change in treasury shares							13.6	13.6
								–
Equity as of December 31, 2014	**0.3**	**205.5**	**–**	**1 486.5**	**15.5**	**575.0**	**–27.0**	**2 255.8**
Dividend						–119.9		–119.9
Allocation of net income				300.0	155.1	–455.1		–
Net profit for the year						229.2		229.2
Change in treasury shares							9.1	9.1
Equity as of December 31, 2015	**0.3**	**205.5**	**–**	**1 786.5**	**170.6**	**229.2**	**–17.9**	**2 374.2**

Notes to the Financial Statements of Sulzer Ltd

1 General information

Sulzer Ltd, Winterthur, Switzerland (the Company) is the parent company of the Sulzer Group. Its unconsolidated financial statements are prepared in accordance with Swiss law and serve as complementary information to the consolidated financial statements.

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Certain prior-year amounts have been reclassified to conform to the current year's presentation. These primarily relate to the changes due to the new Swiss Code of Obligations.

2 Key accounting policies and principles

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

Investments in subsidiaries and third parties

The participations are valued at acquisition cost or if the value is lower, at value in use, using generally accepted valuation principles.

Marketable securities

Marketable securities mainly comprise an investment in a fund investing in short-term bonds with high credit ratings and are valued at their quoted market price as at the balance sheet date. A valuation adjustment reserve has not been accounted for.

Interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds have been deducted from the nominal value and are amortized on a straight-line basis over the bonds maturity period.

Share-based payments

Should treasury shares be used for share-based payment programs, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as compensation to the Board of Directors.

Foregoing a cash flow statement and additional disclosures in the notes

As Sulzer Ltd has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on audit fees and interest-bearing liabilities in the notes as well as a cash flow statement in accordance with the law.

3 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by Sulzer Ltd is included in note 37 of the consolidated financial statements.

4 Registered share capital

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

Shareholders holding more than 3%

	Dec 31, 2015		Dec 31, 2014	
	Number of shares	in %	Number of shares	in %
Renova Group	21 728 414	63.42	11 159 790	32.57
First Pacific Advisors	n/a	n/a	1 716 616	5.01
BlackRock	n/a	n/a	1 149 976	3.36
T. Rowe Price Associates	1 051 364	3.07	n/a	n/a

Treasury shares held by Sulzer Ltd

	2015		2014	
millions of CHF	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	254 940	27.0	282 415	30.4
Revaluation	–	–3.5	–	–
Purchase	37 298	3.8	30 545	3.9
Sale	–22 964	–2.0	–3 062	–0.3
Share-based remuneration	–82 083	–7.4	–54 958	–7.0
Balance as of December 31	**187 191**	**17.9**	**254 940**	**27.0**

The total number of treasury shares held by Sulzer Ltd as of December 31, 2015, amounted to 187 191 (December 31, 2014: 254 940 shares), which are mainly held for the purpose of issuing shares under the management share-based payment programs. The average sales price was CHF 106.57 in 2015 (2014: CHF 119.71).

5 Outstanding bond

	2015		2014	
millions of CHF	Book value	Nominal	Book value	Nominal
Total as of December 31	**499.6**	**500.0**	**498.9**	**500.0**

In July 2011 Sulzer Ltd issued a CHF-denominated 2.25% domestic bond in the aggregate principal amount of CHF 500 million for a term of five years. The bond is traded at the SIX Swiss Exchange.

6 Contingent liabilities

millions of CHF	2015	2014
Guarantees, sureties, comfort letters for subsidiaries		
— to banks and insurance companies	1 268.4	1 295.4
— to customers	360.1	370.4
— to others	45.1	36.4
Guarantees for third parties	10.0	10.0
Total contingent liabilities as of December 31	**1 683.6**	**1 712.2**

As of December 31, 2015, CHF 336.2 million (2014: CHF 310.7 million) of guarantees, sureties, and comfort letters for subsidiaries to banks and insurance companies were utilized.

7 Administrative expenses

millions of CHF	2015	2014
Compensation of Board of Directors	2.3	1.7
Other administrative expenses	70.5	47.1
Total administrative expenses	**72.8**	**48.8**

Sulzer Ltd does not have any employees. The compensation to the Board of Directors includes share-based payments and remuneration. Other administrative expenses contain management services and cost related to the Sulzer Full Potential project.

8 Investment income and investment and loan expenses

In 2015, the investment income contains ordinary and extraordinary dividend payments from subsidiaries amounting to CHF 131.3 million. Sulzer Pumps Ltd has been merged with Sulzer Ltd in the reporting year. The merger gain amounted to CHF 135.2 million and is included in investment income. In 2014, the income from investment contains the profit from the sale of the Metco division amounting to CHF 390.8 million. Ordinary as well as extraordinary dividend payments from subsidiaries amounted to CHF 576.9 million. The investment and loan expenses contain allowances on investments amounting to CHF 18.4 million (2014: CHF 405.2 million).

9 Share participation of the Board of Directors, Executive Committee, and related parties

Restricted share units for members of the Board

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. The number of RSUs is determined by dividing the fixed grant value by the volume weighted share price of the last ten days prior to the grant date. One-third of the RSUs each vest after the first, second, and third anniversaries of the grant date respecitvely. Upon vesting, one vested RSU is converted into one share of Sulzer Ltd. The vesting period for RSUs granted to the members of the Board of Directors ends no later than on the date on which the members steps down from the Board.

	2015						
	Sulzer shares	Restricted share units (RSU) (NF)[1]	Other call options	Total call options, share awards and shares	Performance share units (PSU) 2013[2]	Performance share units (PSU) 2014[3]	Performance share units (PSU) 2015[4]
Board of Directors	**45 633**	**13 149**	**–**	**–**	**–**	**–**	**–**
Peter Löscher	26 684	3 657	–	–	–	–	–
Matthias Bichsel	342	2 103	–	–	–	–	–
Thomas Glanzmann	4 616	2 081	–	–	–	–	–
Jill Lee	3 095	2 081	–	–	–	–	–
Marco Musetti	2 692	2 081	–	–	–	–	–
Gerhard Roiss	4 000	1 146	–	–	–	–	–
Klaus Sturany	4 204	–	–	–	–	–	–
Executive Committee	**33 301**	**40 976**	**–**	**–**	**4 860**	**7 212**	**13 800**
Greg Poux-Guillaume	–	30 242	–	–	–	–	942
Peter Alexander	10 928	–	–	–	4 860	1 967	2 402
Oliver Bailer	1 303	231	–	–	–	1 967	2 402
Fabrice Billard	1 187	–	–	–	–	–	2 402
Thomas Dittrich	7 000	9 842	–	–	–	964	2 826
César Montenegro	12 883	661	–	–	–	2 314	2 826

[1] Restricted share units assigned by Sulzer.
[2] The average fair value of one performance share unit 2013 at grant date amounted to CHF 294.81.
[3] The average fair value of one performance share unit 2014 at grant date amounted to CHF 206.63.
[4] The average fair value of one performance share unit 2015 at grant date amounted to CHF 193.97.

	2015		2014	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the board	8948	980980	7428	906220

							2014
	Sulzer shares	Restricted share units (RSU) (NF)[1]	Other call options	Total call options, share awards and shares	Blocked Sulzer shares out of PSP 2010	Performance share units (PSU) 2013[2]	Performance share units (PSU) 2014[3]
Board of Directors	**45563**	**11051**	**–**	**56614**	**–**	**–**	**–**
Peter Löscher	26000	2052	–	28052	–	–	–
Matthias Bichsel	–	1026	–	1026	–	–	–
Thomas Glanzmann	3700	1851	–	5551	–	–	–
Jill Lee	2179	1851	–	4030	–	–	–
Marco Musetti	1776	1851	–	3627	–	–	–
Luciano Respini	8027	2097	–	10124	–	–	–
Klaus Sturany	3881	323	–	4204	–	–	–
Executive Committee	**22344**	**17903**	**–**	**40247**	**7422**	**20741**	**13651**
Klaus Stahlmann	5400	–	–	5400	–	15881	6439
Peter Alexander	6649	568	–	7217	3711	4860	1967
Oliver Bailer	852	682	–	1534	–	–	1967
Thomas Dittrich	1500	14763	–	16263	–	–	964
César Montenegro	7943	1890	–	9833	3711	–	2314

[1] Restricted share units assigned by Sulzer as compensation.
[2] The average fair value of one performance share unit 2013 at grant date amounted to CHF 294.81.
[3] The average fair value of one performance share unit 2014 at grant date amounted to CHF 206.63.

10 Subsequent events after the balance sheet date

At the time when these financial statements were authorized for issue, the Board of Directors were not aware of any events that would materially affect these financial statements.

Appropriation of net profit

in CHF	2015	2014
Net profit for the year	229200000	575000000
Unallocated profit carried forward from previous year	170532721	15451016
Total available profit	**399732721**	**590451016**
Proposal by the Board of Directors: **Appropriation from/(to) free reserves**	**300000000**	**–300000000**
Ordinary dividend **Special dividend**	**–119263127** **–497497613**	**–119918295** **–**
Balance carried forward	**82971981**	**170532721**
Distribution per share CHF 0.01		
Gross dividend	18.10	3.50
less 35% withholding tax	6.34	1.23
Net payment	**11.76**	**2.27**

The Board of Directors proposes the payment of an ordinary dividend of CHF 3.50 per outstanding share and a special dividend of CHF 14.60 per outstanding share to the Annual General Meeting on April 7, 2016. The Company will not pay a dividend on treasury shares held by Sulzer Ltd or one of its subsidiaries.

KPMG

Report of the Statutory Auditor to the General Meeting of Shareholders of Sulzer Ltd, Winterthur

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Sulzer Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 161–166) for the year ended December 31, 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of net profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Zurich, February 24, 2016

François Rouiller Licensed Audit Expert Auditor in Charge	Roman Wenk Licensed Audit Expert

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The Sulzer Annual Report 2015 is also available in German and online at www.sulzer.com/AR15. Furthermore, the report is available as a summary in German or in English. The original version is in English.

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Data per share

in CHF	2015	2014	2013	2012	2011
Basic earnings per share	2.17	8.09	6.89	8.91	8.25
Change from prior year	–73%	17%	–23%	8%	–8%
Equity attributable to a shareholder of Sulzer Ltd	65.30	71.60	68.70	65.20	59.60
Ordinary dividend	3.50[1]	3.50	3.20	3.20	3.00
Special dividend	14.60[1]	0.00	0.00	0.00	0.00
Payout ratio[2]	161%	43%	46%	36%	36%
Average number of shares outstanding	34035862	34007309	33999429	34009267	33906689

Stock market information

	2015	2014	2013	2012	2011
Registered share (in CHF)					
— high	120.10	143.90	171.00	147.50	158.50
— low	88.55	94.95	129.60	101.40	84.35
— year-end	94.35	106.00	143.90	144.10	100.40
Market capitalization as of December 31					
— number of shares outstanding	34075179	34007430	33979955	34032810	33804507
— in millions of CHF	3215	3605	4890	4904	3394
— in percentage of equity	145%	148%	209%	221%	168%
P/E ratio as of December 31	43.5x	13.1x	20.9x	16.2x	12.2x
Dividend yield as of December 31[2]	3.7%	3.3%	2.2%	2.2%	3.0%

Title	Security No.	Investdata	Reuters	Bloomberg
Listed on SIX Swiss Exchange registered share	3838891	SUN	SUN.S	SUN SW

Shareholder structure as of December 31, 2015

number of shares	Number of shareholders	Shareholding
1–100	3408	0.5%
101–1000	2825	2.6%
1001–10000	358	2.9%
10001–100000	45	3.2%
More than 100000	7	70.7%
Total registered shareholders and shares (excluding treasury shares Sulzer Ltd)	**6643**	**79.9%**

[1] Proposal to the Annual General Meeting.
[2] Based on ordinary dividend.

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