SULZER

Midyear Report 2013

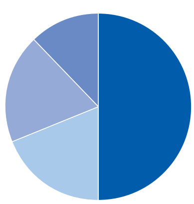
Key figures (January – June)

millions of CHF		2013	2012[1]	Changes in +/– %	+/– %[2]
Order intake		**2103.1**	2025.4	3.8%	3.0%
Order backlog as of June 30/December 31		**2038.6**	1829.2	11.4%	
Sales		**1901.3**	1922.7	–1.1%	–1.9%
Operating income before depreciation/amortization	EBITDA	**217.0**	256.7	–15.5%	
Operating income	EBIT	**148.2**	193.1	–23.3%	
Return on sales (EBIT/Sales)	ROS	**7.8%**	10.0%		
Net income attributable to shareholders of Sulzer Ltd		**99.5**	129.4	–23.1%	
Basic earnings per share (in CHF)		**2.92**	3.81	–23.4%	
Free cash flow		**51.2**	116.3	–56.0%	
Net liquidity as of June 30/December 31		**–176.3**	–95.9		
Employees (number of full-time-equivalents) as of June 30/December 31		**17794**	17936	–0.8%	

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04 on page 15.

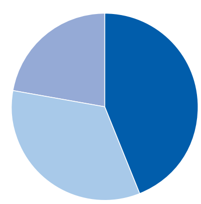
[2] Adjusted for currency effects as well as acquisitions and divestitures.

Sales by division



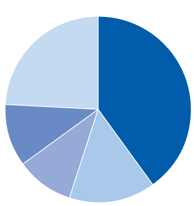
	2013
Sulzer Pumps	50%
Sulzer Metco	19%
Sulzer Chemtech	19%
Sulzer Turbo Services	12%

Sales by region



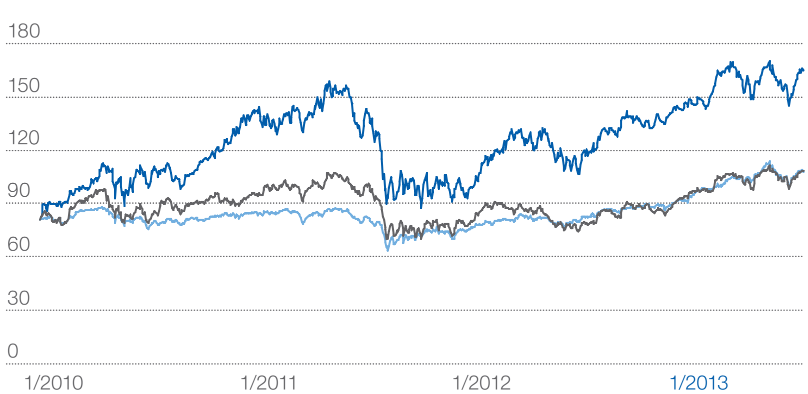
	2013
Europe, Middle East, Africa	44%
Americas	34%
Asia-Pacific	22%

Sales by market



	2013
Oil and Gas	40%
Power	15%
Water	10%
Transportation	11%
General Industry	24%

Share price development



+103%

(performance since January 1, 2010)

- Sulzer share (CHF)
- Swiss Performance Index (indexed)
- SWX Industrial Machinery (indexed)

High order intake and focused market strategy

Order intake grew to CHF 2.1 billion. Sales decreased slightly, while profitability was lower. Sulzer wants to focus its activities in three attractive key markets.

- Order intake increased to CHF 2.1 billion. Sales decreased slightly, despite good sales levels in recent months after a slow start to the year
- Lower volumes, lower capacity utilization, and some effects from the changed business mix impacted the operating income and the profitability
- Sulzer is placing a strong focus on executing the high order backlog efficiently
- Tailored measures were initiated in businesses and regions with continuing weaknesses to reduce costs and increase sales
- Sulzer wants to focus its activities in three attractive key markets—oil and gas, power, and water—where the company already holds leading positions
- The company is therefore exploring a divestiture of the Sulzer Metco division which is mainly active in attractive parts of the automotive, aviation and general industries
- The potential divestiture of the Sulzer Metco division would generate additional funds for targeted acquisitions and further investments toward organic growth in Sulzer's key markets
- Sulzer will serve its key markets as one focused company, leveraging collaborative advantages and synergies across its businesses
- Sulzer Pumps and Sulzer Turbo Services will work together more closely to cross-sell their services for rotating equipment
- To further leverage synergies, the wastewater pumps business was combined with the process pumps business into the new business area Configured Solutions
- For the full year 2013, Sulzer expects slight growth in order intake and sales. Profitability is forecast to be slightly lower

Order intake

CHF 2103m

(First half 2012: CHF 2 025m)

Sales

CHF 1901m

(First half 2012: CHF 1 923m)

Operating income

CHF 148m

(First half 2012: CHF 193m)

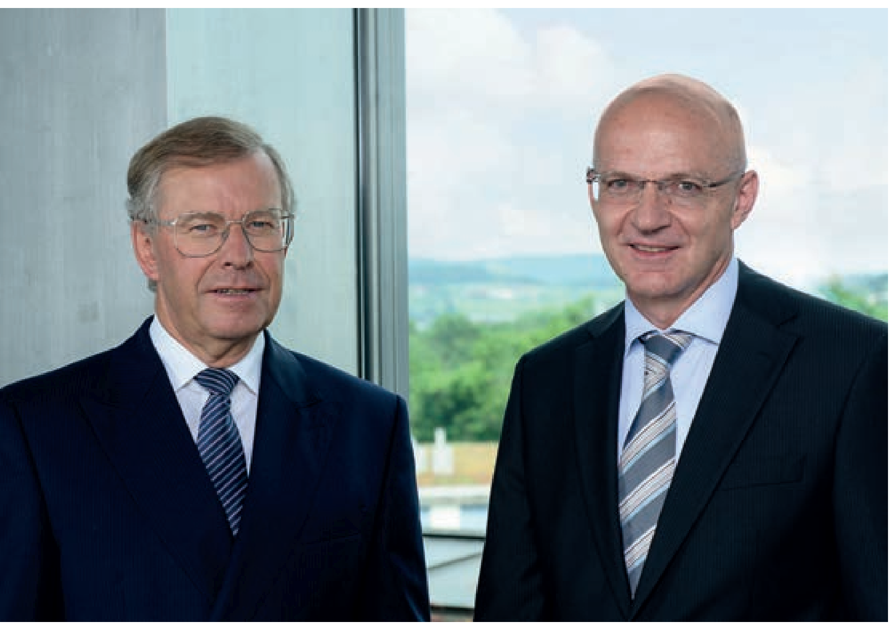
Return on sales

7.8%

(First half 2012: 10.0%)

High order intake and focus on three key markets

Order intake grew to CHF 2.1 billion in the first half of the year. The company initiated tailored measures to improve profitability. Sulzer decided to focus on three key markets—oil and gas, power, and water.



Dear Shareholder,
In the first half of 2013, the order intake grew to CHF 2.1 billion. This level was reached despite a slow start to the year in some businesses. Demand was weak, in particular, in the water market and for electromechanical services. However, major orders were booked recently, for instance, for pipeline pumps as well as for biopolymer process technology. The oil and gas market continued to show some growth. The transportation market remained stable at high levels. The power industry remained at a low level, while the water market was lower compared with the high base of the same period of the previous year. Demand in Europe was weak, while North America and Asia-Pacific were strong.

Volume and business mix impact operating income

Sales decreased slightly. The good sales levels in recent months did not fully compensate the slow start to the year. The lower volumes and reduced capacity utilization, some effects from the changed business mix, and higher restructuring charges impacted the operating income and the profitability, in particular, at Sulzer Pumps. In addition, substantial activities are underway to strengthen the IT infrastructure. The free cash flow was supported by the improved management of working capital.

Sulzer initiated tailored measures in businesses and regions with continuing weaknesses. For example, to further leverage synergies, the wastewater pumps business was combined with the process pumps business into a new business area called Configured Solutions. Capacities were adapted to the weak demand for electromechanical services in the UK and Australia.

Measures to decrease costs and increase sales will continue in the second half of the year. At the same time, Sulzer is placing a strong focus on executing the high order backlog efficiently.

Focus on three key markets

Sulzer intends to focus its activities in three attractive key markets—oil and gas, power, and water. The company already holds leading positions in these markets. They offer attractive growth potential based on global megatrends such as population growth, urbanization, increasing energy demand, and scarcity of water. Sulzer offers both performance-critical equipment and related services in these key markets.

Realignment of portfolio to match new market strategy

Sulzer Metco, with half of its sales in the automotive and aviation industries and about one-third in general industries, has a clear focus outside Sulzer's three key markets. Sulzer is therefore exploring a divestiture process. After the potential divestiture of Sulzer Metco, Sulzer's three key markets would account for almost 80% of sales—with oil and gas at 48%, power at 16%, and water at 15%. The potential divestiture of the Sulzer Metco division would generate additional funds for targeted acquisitions and further investments toward organic growth in these key markets.

Sulzer is looking for a new owner for Sulzer Metco that will leverage the strengths of the division in the best possible way. Sulzer Metco is a business that is performing well and that has outstanding solutions for attractive markets—namely, automotive and aviation, power generation, and the general industries. The division's strengths include having the industry-leading, most complete portfolio in surface technologies, a combined offering of coating solutions, equipment, materials, and services, as well as components. With its strong customer partnership, broad global presence, and competent and committed teams, the coating business has excellent prospects for continued profitable growth with a new owner.

Working together as one company

Sulzer will serve its key markets as one focused company. It will provide dedicated customer orientation building on its four strategic priorities: technology leadership, outstanding services, continuous operational improvement, and collaborative advantage. We intend to explore and leverage collaborative advantages and synergies across our businesses more extensively. Several related group-wide initiatives have been initiated accordingly and are making good progress. In the future, Sulzer Pumps and Sulzer Turbo Services will work together more closely to cross-sell their services for rotating equipment—ranging from pumps to turbines, compressors, motors, and generators. Furthermore, to better support its strategy, Sulzer is starting shared service initiatives in various functions such as finance, information technology, and human resources.

Changes in the Board and the management

Manfred Wennemer was elected to the Board of Directors at the Annual General Meeting in March and was appointed new Chairman. The Board of Directors appointed Scot Smith Member of the Executive Committee and Division President of Sulzer Pumps in May, to replace Kim Jackson. General Counsel Alfred Gerber left the company in April and was replaced by Carsten Oermann.

> “Sulzer will serve its key markets as one focused company.”

Outlook

Based on present knowledge and excluding any major changes in the general economic conditions, growth is expected for parts of the oil and gas market in 2013. Activity in the power, water, transportation, and the general industries is forecast to continue at similar levels. Geographically, Asia-Pacific and North America are likely to remain the growth drivers.

Based on the potential divestiture of Sulzer Metco, the current performance, and the outlook, Sulzer is currently reviewing its midrange targets.

For the full year 2013, Sulzer expects slight growth in order intake and sales. Profitability is forecast to be slightly lower compared with the previous year.

The new strategic focus on three attractive key markets—oil and gas, power, and water—positions Sulzer well for profitable growth and continued sustainable success.

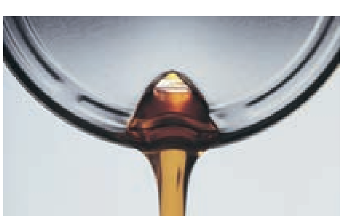
We are confident that we will further strengthen our position in our key markets and create sustainable value for our customers, our employees, and for you, our shareholders.

Yours sincerely,

Manfred Wennemer,
Chairman of the Board

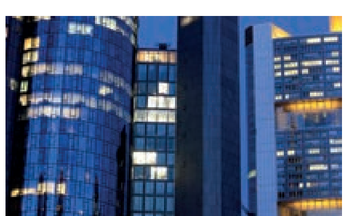
Klaus Stahlmann,
CEO

Focus on three key markets



Oil and gas

48%[1)]



Power

16%[1)]

Water

15%[1)]

[1)] Share of sales, pro-forma calculation based on full-year figures 2012. The remaining 21% refers to the general industries.

Solid growth in order intake

Sulzer achieved a solid nominal 3.8% growth in order intake compared with the first half of 2012. Sales were at comparable levels with CHF 1 901.3 million. Profitability was impacted by low activities in some regions and markets as well as business mix effects. The order backlog increased to CHF 2 038.6 million.

Solid order intake growth

Order intake increased by a nominal 3.8% to CHF 2 103.1 million in the first half of 2013. The growth was mainly driven by strong demand in the oil and gas market.

The divisions reported the following nominal growth rates:

- Sulzer Pumps: 5.4%
- Sulzer Metco: 2.8%
- Sulzer Chemtech: 13.9%
- Sulzer Turbo Services: –9.3%

Adjusted for currency effects as well as acquisitions and divestitures, the order intake increased by 3.0%. Acquisitions contributed CHF 15.0 million. The strong Swiss franc had a small positive translation effect of CHF 2.5 million. The order backlog increased to CHF 2 038.6 million.

Sales at a similar level compared with same period of previous year

The company generated sales amounting to CHF 1 901.3 million. This represents a slight decrease of 1.1% (–1.9% adjusted) compared with the first half of the prior year. Acquisitions contributed CHF 13.3 million, while the strong Swiss franc had a small positive translation effect of CHF 2.3 million.

The divisions reported the following nominal growth rates:

- Sulzer Pumps: –3.2%
- Sulzer Metco: 4.5%
- Sulzer Chemtech: 0.2%
- Sulzer Turbo Services: 1.5%

Order intake growth

3.8%

Equity ratio

48.8%

Solid balance sheet

The gross margin for the company was 30.4%. The 0.6-percentage point decrease from the first half of 2012 was mainly attributable to negative market developments in some regions, in particular, in Europe. In addition, changes in the business mix negatively impacted the gross margin.

Lower operating income

The operating income decreased by 23.3% to CHF 148.2 million in the first half of 2013 due to lower volumes, the changed business mix, and lower capacity utilization. The company implemented tailored measures to improve the operational performance going forward. Cost-saving initiatives were launched in all divisions, including restructuring measures where required. Restructuring charges in the first half of the year amounted to CHF 5.9 million; the restructuring effect in the prior year was insignificant. As a result of these negative effects, the return on sales decreased from 10.0% in the first half of 2012 to 7.8% in the first half of 2013.

Decreased net income

Driven by the lower operating income, the net income decreased by 23.7% to CHF 100.5 million compared with CHF 131.7 million in the first half of 2012.

The financial income improved to CHF –13.0 million compared with CHF –14.9 million in the first half of 2012 (adjusted for the IAS 19 effect). The improvement compared with the prior year was mainly driven by lower expenses on pension obligations and lower expenses on borrowings.

The effective tax rate in the first half of 2013 marginally decreased by 0.4 percentage points to 25.7% which is due to the different geographical distribution of profits.

Net income attributable to Sulzer shareholders amounted to CHF 99.5 million or 5.2% of sales (2012: CHF 129.4 million, 6.7% of sales). Basic earnings per share (EPS) decreased by 23.4% to CHF 2.92.

Solid capital structure and balance sheet

Total assets as per June 30, 2013, amounted to CHF 4 598.2 million, which is only marginally lower than in December 2012. Total non-current assets increased by CHF 18.0 million. Investments in property, plant, and equipment totaled CHF 46.4 million, while depreciation amounted to CHF 45.4 million.

Current assets decreased by CHF 27.1 million due to lower cash and cash equivalents.

The capital structure remained strong. The equity ratio increased slightly to 48.8% (December 31, 2012: 48.1%). The gearing increased to 28.1% (2012: 27.5%). No major currency translation effects were recorded in equity during the first half of 2013.

Total equity was CHF 2 250.8 million (December 31, 2012: CHF 2 221.2 million). Liabilities were CHF 2 347.4 million, which represents a decrease of CHF 38.7 million. Borrowings increased from CHF 609.0 million to CHF 629.8 million.

Lower cash flow after a very strong first half 2012

Cash flow from operating activities was positive at CHF 97.7 million, but below the first half of the prior year (2012: CHF 170.9 million). The reduction in net working capital contributed CHF 10.4 million to the cash flow underlining the company's continued focus on net working capital management. Income taxes paid increased slightly from CHF 55.8 million in the first half of the prior year to CHF 56.4 million. Capital expenditures in property, plant, and equipment decreased to CHF 46.4 million, which was CHF 8.2 million lower than in the first half of the prior year. The majority of capital expenditure projects related to maintenance.

The free cash flow, consisting of cash flow from operating activities as well as capital expenditures, was positive at CHF 51.2 million (2012: CHF 116.3 million).

Cash out for acquisitions and divestitures totaled CHF 18.4 million, which is mainly related to the Danish company Krøger A/S, a leading manufacturer of dispensers, acquired by Sulzer Chemtech. The acquisition strengthened the division's position as a technology leader and solution provider for one- and two-component application systems.

Cash outflow from financing activities totaled CHF 93.1 million compared with an outflow of CHF 123.7 million in the first half of the year before. Based on an increased dividend per share, the company paid CHF 108.7 million (2012: CHF 102.2 million) to its shareholders.

Changes in accounting policies

Sulzer introduced the revised IFRS accounting standard IAS 19 "Employee Benefits", on January 1, 2013. As required by the new standard, Sulzer's consolidated financial statements 2012 have been retrospectively restated to reflect these changes.

Outlook

Based on present knowledge and excluding any major changes in the general economic conditions, growth is expected for parts of the oil and gas market in 2013. Activity in the power, the water, the transportation, and the general industries is forecast to continue at similar levels. Geographically, Asia-Pacific and North America are likely to remain the growth drivers.

Based on the potential divestiture of Sulzer Metco, the current performance, and the outlook, Sulzer is currently reviewing its midrange targets.

For the full year 2013, Sulzer expects slight growth in order intake and sales. Profitability is forecast to be slightly lower compared with the previous year.

Key Figures (January – June)

millions of CHF		2013	2012[1]
Sales		**1 901.3**	1 922.7
Cost of goods sold		**–1 322.5**	–1 326.5
Gross profit		**578.8**	596.2
Selling, administrative, and development expenses		**–430.6**	–403.1
Operating income	**EBIT**	**148.2**	193.1
Financial income, net		**–13.0**	–14.9
Income tax expenses		**–34.7**	–46.5
Net income		**100.5**	131.7
Free cash flow		**51.2**	116.3
Net liquidity as of June 30/December 31		**–176.3**	–95.9

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04 on page 15.

Increased orders and new strategic partnerships

Order intake grew, while sales and operating income decreased. Sulzer Pumps introduced targeted measures to improve profitability. The division signed strategic partnerships and opened additional service centers.

Order intake increased
Order intake accelerated after a slow start and increased, when compared with the first half of the previous year. Growth was supported by large orders in the second quarter for pipeline pumps and fire-fighting pumps. The main growth driver was the oil and gas market. The power industry grew moderately on a low base, while the water market was lower than the strong previous-year period. North America and Asia-Pacific were particularly strong.

Lower sales and operating income
Sales were low at the beginning of this year. The slow start was not fully compensated by the improvements in recent months. Due to lower volumes, the changed business mix, and lower capacity utilization, the operating income decreased significantly. The division will adapt capacities to lower demand in certain markets, reduce the number of manufacturing units, implement additional LEAN initiatives, and increase the efficiency of its sales and service networks. In addition, Sulzer Pumps and Sulzer Turbo Services are preparing to cross-sell services for rotating equipment, thus leveraging their global networks. The frequency of accidents increased slightly, while the severity of accidents decreased substantially.

New strategic partnerships and expanded global footprint
Sulzer Pumps signed an agreement for the supply and aftermarket support services of high-energy and process pumps with a leading global oil company. The division also established a strategic partnership with Sinopec Corporation, one of the largest oil and gas companies in China. Sulzer Pumps continued to extend its global footprint with new service centers in Brazil, China, and South Africa.

Outlook
For the full year, order intake and sales are expected at similar levels as in 2012, based on the high order backlog. Profitability is forecast to be slightly lower than in the previous year. The division expects the oil and gas and the power market to grow moderately with North America and the Asia-Pacific region as growth drivers. The water market is expected to continue on a similar level, compared with the previous year.

Key Figures (January – June)				Changes in	
millions of CHF		2013	2012	+/– %	+/– %[1]
Order intake		1 077.7	1 022.3	5.4%	5.4%
Sales		949.9	981.0	–3.2%	–3.2%
Operating income before depreciation and amortization	EBITDA	81.7	110.0	–25.7%	
Operating income	EBIT	53.7	84.0	–36.1%	
Return on sales (EBIT/sales)	ROS	5.7%	8.6%		

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Increases in order intake and sales

Order intake and sales increased, while profitability was lower. Sulzer Metco further expanded its global footprint with a production and service plant in China and an acquisition in Russia.

Reinforced position in China

To further expand its global footprint and reinforce its position in the Chinese market, Sulzer Metco opened a new, larger production and service facility in Shanghai. Early in the year, the division also acquired a wire-manufacturing and service company and opened a shop-in-shop solution in Russia. In Germany, the capacity for ceramics production was expanded to serve the growing demand in the semiconductor and fuel cell markets. With a new plasma spray gun that delivers improved coating efficiency, the division continued to add innovative solutions to its portfolio.

Higher order intake

Order intake increased compared with the first half of the previous year, based on continued high demand in the automotive and aviation industries. After a slow start to the year, there was also stronger demand in recent months for coating equipment and services. Order intake growth was driven by Europe and Asia-Pacific.

Increased sales

The division clearly increased sales in the first half of the year, supported by the success of its innovative coating solutions for the automotive market. Operating income was lower, mainly due to the costs of a site closure for footprint optimization. Targeted measures for cost control were continued. The frequency and severity of accidents decreased significantly.

Outlook

For the full year, the division continues to expect moderate growth of order intake and sales. Profitability is forecast to be slightly lower than in the previous year. The automotive and the aviation industries are expected to remain at high levels, driven by North America, Asia, and Eastern Europe. The general industries are likely to show lower growth rates.

Key Figures (January – June)				Changes in	
millions of CHF		2013	2012	+/– %	+/– %[1]
Order intake		**370.7**	360.5	2.8%	–0.8%
Sales		**354.5**	339.3	4.5%	1.1%
Operating income before depreciation and amortization	EBITDA	**44.6**	45.8	–2.6%	
Operating income	EBIT	**31.8**	34.6	–8.1%	
Return on sales (EBIT/sales)	ROS	**9.0%**	10.2%		

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Higher order intake

Order intake and sales increased; profitability was lower. Sulzer Chemtech acquired a leading manufacturer of dispensers and was awarded a large contract for a biopolymer production plant in Asia.

Large acquisition and important biopolymer order

Sulzer Chemtech acquired the Danish company Krøger A/S, a leading manufacturer of dispensers. The acquisition strengthened the division's position as a technology leader and solution provider for one- and two-component application systems. In addition, the division was awarded a large contract for a high-performance biopolymer production plant in Asia with a capacity of more than 10 000 tons per year. The commercial production of the high-quality biopolymers (PLA, polylactic acid) is planned to start in the second half of 2014. It is based on Sulzer's leading proprietary technology, which offers additional growth potential for the future.

Strong increase in orders

The order intake increased in the double-digit range compared with the same period of the previous year. The oil and gas downstream industry continued to develop positively for mass transfer technology and tower field services. The process technology business reported a strong second quarter with various large orders, after a slow start to 2013. The order intake for two-component mixing systems was strong, also supported by the acquired company. Market activity remained at a good level in most geographic regions.

Increased sales

The division increased sales slightly compared with the first half of 2012. The operating income and profitability decreased due to lower volumes for process technology and the weaker operational performance of tower field services. The division will focus on processing the increased order backlog in the second half of the year, particularly at the process technology business. The frequency and severity of accidents increased slightly.

Outlook

For the full year, the division continues to expect high single-digit growth in order intake and sales. Based on the strong order growth in the first half of the year, profitability is forecast to reach a double-digit level. The activity in the oil and gas downstream market is predicted to remain at the current level, and the high demand for two-component mixing systems is likely to continue. Asia-Pacific and North and South America are expected to be the main growth drivers, while investment levels in Europe are expected to remain at the current lower levels.

Key Figures (January – June)				Changes in	
millions of CHF		**2013**	2012	+/– %	+/– %[1]
Order intake		**411.0**	361.0	13.9%	9.9%
Sales		**363.5**	362.6	0.2%	–3.6%
Operating income before depreciation and amortization	EBITDA	**54.2**	53.7	0.9%	
Operating income	EBIT	**35.0**	36.6	–4.4%	
Return on sales (EBIT/sales)	ROS	**9.6%**	10.1%		

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Growth in sales

Sales increased, while order intake and operating income were lower. Sulzer Turbo Services is taking steps to leverage divisional cooperation in order to increase customer value.

Seeking growth through combined offering

Sulzer Turbo Services and Sulzer Pumps are taking steps to cross-sell services for rotating equipment. This will allow the divisions to leverage their global sales and service networks and offer a full range of services to their combined customer base. Sulzer Turbo Services continued to develop its business with long-term service agreements, which generate steady streams of revenue and strengthen customer loyalty.

Lower order volume

Compared with the record-high first half of the previous year, orders decreased in the beginning of the year, but then showed some signs of improvement. Activity levels in the oil and gas market were strong, while the power and the general industries were slower. The demand for electromechanical services was weak, particularly in the UK and in Australia. Geographically, all regions had a slow start in 2013, but market activity has since improved.

Growth in sales

Sales grew slightly in the first half of the year. The slow start of the year with reduced capacity utilization, especially at the electromechanical service sites in the UK and in Australia, had a significant impact on the operating income and profitability of the division. Sulzer Turbo Services took targeted measures to improve its operational performance, such as capacity adaptations and sales improvement initiatives, particularly for the electromechanical service units. The frequency of accidents decreased while the severity of accidents increased.

Outlook

For the full year, Sulzer Turbo Services anticipates a decrease in order intake. Sales are forecast to decrease slightly. Despite the positive effect from the measures taken, profitability is expected to be at a lower level than in 2012. The demand for the division's services in the oil and gas market is predicted to remain strong, while the power and the general industries are likely to remain at the current low levels. Further growth opportunities are being developed, particularly in the emerging markets.

Key Figures (January – June)				Changes in	
millions of CHF		2013	2012	+/– %	+/– %[1]
Order intake		251.2	277.0	–9.3%	–8.7%
Sales		239.6	236.0	1.5%	2.1%
Operating income before depreciation and amortization	EBITDA	26.5	33.0	–19.7%	
Operating income	EBIT	18.2	24.9	–26.9%	
Return on sales (EBIT/sales)	ROS	7.6%	10.6%		

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Consolidated income statement

January – June		
millions of CHF	2013	2012
Sales	**1 901.3**	1 922.7
Cost of goods sold	**–1 322.5**	–1 326.5
Gross profit	**578.8**	596.2
Selling and distribution expenses	**–195.5**	–187.8
General and administrative expenses	**–197.9**	–180.6
Research and development expenses	**–47.8**	–43.5
Other operating income	**37.0**	19.9
Other operating expenses[1]	**–26.4**	–11.1
Operating income	**148.2**	193.1
Interest and securities income	**2.0**	2.9
Interest expenses[1]	**–11.9**	–13.8
Other financial income	**–3.1**	–4.0
Income before income tax expenses	**135.2**	178.2
Income tax expenses[1]	**–34.7**	–46.5
Net income	**100.5**	131.7
Attributable to shareholders of Sulzer Ltd[1]	**99.5**	129.4
Attributable to non-controlling interests	**1.0**	2.3
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF)		
Basic earnings per share[2]	**2.92**	3.81
Diluted earnings per share[2]	**2.91**	3.79

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04.

[2] Restatement of prior year figures, decrease of CHF 0.06 due to restated net income.

Consolidated statement of comprehensive income

January – June		
millions of CHF	2013	2012
Net income	**100.5**	131.7
Fair value changes on available-for-sale financial assets, net of tax	**–**	0.9
Cash flow hedge reserve, net of tax	**–7.6**	–0.1
Currency translation differences	**8.3**	1.4
Total of items that may be reclassified subsequently to the income statement	**0.7**	2.2
Defined benefit cost recognized in other comprehensive income, net of tax[1]	**15.8**	–0.3
Total of items that will not be reclassified to the income statement	**15.8**	–0.3
Total other comprehensive income	**16.5**	1.9
Total comprehensive income for the period	**117.0**	133.6
Attributable to shareholders of Sulzer Ltd[1]	**116.5**	131.2
Attributable to non-controlling interests	**0.5**	2.4

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04.

Consolidated balance sheet

millions of CHF	June 30 2013	December 31 2012	June 30 2012
Non-current assets			
Intangible assets	**1448.1**	1447.0	1431.8
Property, plant, and equipment	**654.7**	650.0	636.6
Other financial assets	**8.0**	8.6	37.5
Non-current receivables	**25.2**	13.8	13.3
Deferred income tax assets[1]	**117.6**	116.2	120.6
Total non-current assets	**2253.6**	2235.6	2239.8
Current assets			
Inventories	**637.3**	622.9	720.9
Advance payments to suppliers	**83.4**	78.6	104.1
Trade accounts receivable	**994.4**	1012.1	1001.8
Other accounts receivable and prepaid expenses[1]	**175.4**	144.4	161.4
Assets held for sale	**0.6**	0.6	0.9
Marketable securities	**5.8**	5.8	8.4
Cash and cash equivalents	**447.7**	507.3	396.4
Total current assets	**2344.6**	2371.7	2393.9
Total assets	**4598.2**	4607.3	4633.7
Equity			
Share capital	**0.3**	0.3	0.3
Reserves[1]	**2244.4**	2214.1	2070.2
Equity attributable to shareholders of Sulzer Ltd	**2244.7**	2214.4	2070.5
Non-controlling interests	**6.1**	6.8	6.6
Total equity	**2250.8**	2221.2	2077.1
Non-current liabilities			
Long-term borrowings	**540.1**	533.0	522.8
Deferred income tax liabilities[1]	**112.0**	113.0	129.7
Non-current income tax liabilities	**8.5**	9.3	12.7
Non-current provisions[1]	**276.7**	300.4	325.0
Other non-current liabilities	**2.7**	0.8	2.5
Total non-current liabilities	**940.0**	956.5	992.7
Current liabilities			
Short-term borrowings	**89.7**	76.0	207.6
Current income tax liabilities	**51.7**	55.3	48.4
Current provisions	**126.1**	138.0	152.6
Trade accounts payable	**398.2**	419.9	381.4
Customers' advance payments	**317.8**	291.0	341.1
Other current and accrued liabilities	**423.9**	449.4	432.8
Total current liabilities	**1407.4**	1429.6	1563.9
Total liabilities	**2347.4**	2386.1	2556.6
Total equity and liabilities	**4598.2**	4607.3	4633.7

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04.

Consolidated statement of changes in equity

January – June

	Attributable to shareholders of Sulzer Ltd								
millions of CHF	Share capital	Retained earnings	Treasury stock	Cash flow hedge reserve	Available-for-sale financial assets	Currency translation adjustment	Total	Non-controlling interests	Total equity
Equity as of January 1, 2012 (as previously reported)	0.3	2393.3	–64.3	1.8	24.4	–257.7	2097.8	6.0	2103.8
Restatement for IAS 19 revised, see note 04		–77.6					–77.6		–77.6
Equity as of January 1, 2012 (restated)	**0.3**	**2315.7**	**–64.3**	**1.8**	**24.4**	**–257.7**	**2020.2**	**6.0**	**2026.2**
Comprehensive income for the period:									
Net income		129.4					129.4	2.3	131.7
Cash flow hedges, net of tax				–0.1			–0.1		–0.1
Fair value changes on available-for-sale financial assets, net of tax					0.9		0.9		0.9
Defined benefit cost recognized in other comprehensive income, net of tax		–0.3					–0.3		–0.3
Currency translation differences						1.3	1.3	0.1	1.4
Total comprehensive income for the period		**129.1**	**–**	**–0.1**	**0.9**	**1.3**	**131.2**	**2.4**	**133.6**
Change in treasury shares		–8.0	24.8				16.8		16.8
Share-based payments		5.1					5.1		5.1
Dividend		–102.8					–102.8	–1.8	–104.6
Equity as of June 30, 2012	**0.3**	**2339.1**	**–39.5**	**1.7**	**25.3**	**–256.4**	**2070.5**	**6.6**	**2077.1**
Equity as of January 1, 2013 (as previously reported)	0.3	2602.3	–44.5	4.5	–	–265.5	2297.1	6.8	2303.9
Restatement for IAS 19 revised, see note 04		–82.7					–82.7		–82.7
Equity as of January 1, 2013 (restated)	**0.3**	**2519.6**	**–44.5**	**4.5**	**–**	**–265.5**	**2214.4**	**6.8**	**2221.2**
Comprehensive income for the period:									
Net income		99.5					99.5	1.0	100.5
Cash flow hedges, net of tax				–7.6			–7.6		–7.6
Fair value changes on available-for-sale financial assets, net of tax					–		–		–
Defined benefit cost recognized in other comprehensive income, net of tax		15.8					15.8		15.8
Currency translation differences						8.8	8.8	–0.5	8.3
Total comprehensive income for the period		**115.3**	**–**	**–7.6**	**–**	**8.8**	**116.5**	**0.5**	**117.0**
Change in treasury shares		–1.6	20.5				18.9		18.9
Share-based payments		4.5					4.5		4.5
Dividend		–109.6					–109.6	–1.2	–110.8
Equity as of June 30, 2013	**0.3**	**2528.2**	**–24.0**	**–3.1**	**–**	**–256.7**	**2244.7**	**6.1**	**2250.8**

Consolidated statement of cash flows

January – June

millions of CHF	2013	2012
Cash and cash equivalents as of January 1	**507.3**	422.6
Cash flow from operating activities		
Net income[1]	**100.5**	131.7
Interest and securities income	**–2.0**	–2.9
Interest expenses[1]	**11.9**	13.8
Income tax expenses[1]	**34.7**	46.5
Depreciation/amortization	**68.8**	63.6
Changes in inventories	**–8.4**	–43.9
Changes in advance payments to suppliers	**–3.6**	–20.1
Changes in trade accounts receivable	**19.1**	17.8
Changes in advance payments from customers	**26.5**	70.7
Changes in trade accounts payable	**–23.2**	–8.3
Changes in provisions[1]	**–15.8**	–15.0
Changes in other net current assets	**–50.1**	–22.0
Other non-cash items[1]	**–2.5**	–3.7
Interest received	**1.8**	2.9
Interest paid	**–3.3**	–4.1
Income tax paid	**–56.4**	–55.8
Income from disposals of subsidiaries and property, plant, and equipment	**–0.3**	–0.3
Total cash flow from operating activities	**97.7**	170.9
Cash flow from investing activities		
Purchase of intangible assets	**–1.5**	–1.1
Sale of intangible assets	**0.2**	0.1
Purchase of property, plant, and equipment	**–46.4**	–54.6
Sale of property, plant, and equipment	**1.2**	1.0
Acquisitions	**–18.4**	–17.4
Divestitures	**–**	1.1
Purchase of financial assets	**–0.4**	–0.5
Sale of financial assets	**0.6**	–
Purchase of marketable securities	**–0.8**	–1.7
Sale of marketable securities	**1.0**	1.3
Total cash flow from investing activities	**–64.5**	–71.8
Cash flow from financing activities		
Dividend paid	**–108.7**	–102.2
Purchase/sale of treasury stock	**–1.5**	16.0
Dividend paid to non-controlling interests	**–1.2**	–1.8
Additions in long-term borrowings	**8.6**	2.6
Repayment of long-term borrowings	**–3.0**	–2.1
Proceeds in short-term borrowings	**12.7**	–36.2
Total cash flow from financing activities	**–93.1**	–123.7
Exchange gains/losses on cash and cash equivalents	**0.3**	–1.6
Net change in cash and cash equivalents	**–59.6**	–26.2
Cash and cash equivalents as of June 30	**447.7**	396.4

[1] Restatement of prior year figures regarding IAS 19 revised, see note 04.

Notes to the financial statements

01 Accounting policies

This unaudited consolidated interim financial report for the six months ending June 30, 2013, comprise Sulzer Ltd and its subsidiaries and was prepared in accordance with the IAS 34 on Interim Financial Reporting.

In preparing these interim financial report, Management makes judgement, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgement and estimates were the same as those applied in the consolidated financial statements for the year 2012.

02 Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial report are the same as those applied in the consolidated financial statements for the year 2012. The following changes in accounting policies are also expected to be reflected in the company's consolidated financial statements for the year 2013.

Sulzer has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013:

- Amendment to IAS 1 'Presentation of items in other comprehensive income' resulting in a requirement for entities to group items on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
- IAS 19 'Employee benefits' (see also note 04). The principal impact of this is that the return on pension plan assets and the interest calculated on the defined benefit obligations now use the same interest rate reflecting the current market yield of high-quality corporate bonds. In addition, interest expenses on funded post-employment schemes shown as part of personnel expenses are now recognized as financial expenses. It has also been required that figures be restated for unrecognized actuarial gains and losses. As required by the new standard, Sulzer's 2012 consolidated financial statements have been retrospectively restated to reflect these changes. The impact for the half year 2013 of IAS 19 revised on the operating expenses amounted to CHF –1.0 million and of CHF –1.6 million to interest expenses.
- IFRS 13 'Fair value measurement' (see also note 06), aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

The effects of IFRS 10 'Consolidated financial statements,' IFRS 11 'Joint arrangements,' and the annual improvements are not material.

03 Significant changes in the scope of consolidation

All current figures related to business combinations in the reporting period are of temporary nature only as they can change during the measurement period. If estimates need to be revised, the allocation of the cost of the business combination is adjusted accordingly.

2013

Krøger A/S

On February 5, 2013, Sulzer acquired Krøger A/S, a leading manufacturer of dispensers in Greve, Denmark. Krøger A/S achieved sales of CHF 9 million in 2012 with 35 employees. The acquisition expands the product portfolio of the business unit Sulzer Mixpac Systems. Transaction costs recognized in general and administrative expenses amounted to CHF 0.4 million. For the first half year 2013, order intake came to CHF 3.5 million, sales amounted to CHF 3.6 million, and operating income totaled CHF –0.3 million.

Acquired net assets of Krøger A/S

millions of CHF	Fair value
Intangible assets	12.3
Property, plant, and equipment	0.7
Inventories	2.2
Trade accounts receivable	1.3
Other current assets	0.1
Liabilities with third parties	–7.8
Identified acquired net assets	**8.8**
Purchase price (total consideration)	18.1
Goodwill	**9.3**

2012

Hidrotecar S.A.

On January 10, 2012, Sulzer Pumps acquired the privately owned pump company Hidrotecar S.A. in Burgos, Spain, for a purchase price of EUR 12.2 million (CHF 14.8 million) paid in cash. The acquired company achieved sales of CHF 8 million in 2012 and employs approximately 50 employees.

Acquired net assets of Hidrotecar S.A.

millions of CHF	Fair value
Intangible assets	2.9
Property, plant, and equipment	5.5
Inventories	2.8
Trade accounts receivable	4.2
Liabilities with third parties	–3.3
Identified acquired net assets	**12.1**
Purchase price (total consideration)	14.8
Goodwill	**2.7**

Thermoset Inc.

On December 26, 2012, Sulzer Metco acquired the assets of the carbon business of Thermoset Inc. in Mequon, Wisconsin, USA, for a total consideration of USD 21.5 million (CHF 19.6 million) paid in cash. Transaction costs recognized in general and administrative expenses amounted to CHF 0.2 million. For the first half year 2013, the order intake totaled CHF 8.6 million, sales amounted to CHF 8.6 million, and the operating income totaled CHF 0.8 million.

Acquired net assets of Thermoset Inc.

millions of CHF	Fair value
Intangible assets	6.9
Property, plant, and equipment	0.4
Inventories	0.9
Identified acquired net assets	**8.2**
Purchase price (total consideration)	19.6
Goodwill	**11.4**

No changes to the provisional purchase price allocation disclosed in the Sulzer Annual Report 2012 had to be considered for acquisitions made in 2012.

04 Restatement as a result of adopting IAS 19 (revised)

Note 02 explains the changes of the revised accounting standard IAS 19 on "Employee Benefits." For the full year 2012, the impact of these changes is an additional charge of CHF –0.7 million to operating expenses and of CHF –4.9 million to interest expenses. The following tables show the items affected by this change in accounting policy.

Restatement of consolidated income statement

	January – June 2012		
millions of CHF	As reported	Restatement IAS 19R	**Restated**
Other operating expenses	–10.8	–0.3	**–11.1**
Operating income	193.4	–0.3	**193.1**
Financial income	–12.4	–2.5	**–14.9**
Income before income tax expenses	181.0	–2.8	**178.2**
Income tax expenses	–47.2	0.7	**–46.5**
Net income	133.8	–2.1	**131.7**
Attributable to shareholders of Sulzer Ltd	131.5	–2.1	**129.4**
Attributable to non-controlling interests	2.3		**2.3**

Restatement of consolidated balance sheet

	December 31, 2012				June 30, 2012			
millions of CHF	As reported	Restatement January 1, 2012	Restatement Jan – Dec	**Restated**	As reported	Restatement January 1, 2012	Restatement Jan – Jun	**Restated**
Deferred income taxes								
Deferred income tax assets on increase of benefit obligations	94.5	20.2	1.5	**116.2**	98.6	20.2	1.8	**120.6**
Deferred income tax liabilities on decrease of benefit obligations	116.5	–2.1	–1.4	**113.0**	131.8	–2.1	–	**129.7**
Amounts recognized in the balance sheet from employee benefit plans								
Overfunding of employee benefit plans	22.5	–1.2	–7.1	**14.2**	15.5	–1.2	–	**14.3**
Benefit obligations	84.6	98.7	0.9	**184.2**	94.3	98.7	4.2	**197.2**
Reserves								
Retained earnings	2602.3	–77.6	–5.1	**2519.6**	2419.1	–77.6	–2.4	**2339.1**

05 Currency exchange rates

	Average rate			Closing rate		
	Jan – Jun 2013	Jan – Jun 2012	Jan – Dec 2012	**June 30 2013**	June 30 2012	Dec 31 2012
1 EUR	**1.23**	1.20	1.21	**1.23**	1.20	1.21
1 GBP	**1.45**	1.46	1.49	**1.44**	1.49	1.48
1 USD	**0.94**	0.93	0.94	**0.94**	0.95	0.92
1 BRL	**0.46**	0.50	0.48	**0.43**	0.46	0.45
1 CAD	**0.92**	0.92	0.94	**0.90**	0.93	0.92
100 CNY	**15.13**	14.70	14.86	**15.37**	15.03	14.69
100 INR	**1.70**	1.78	1.76	**1.58**	1.70	1.67
100 MXN	**7.47**	7.01	7.13	**7.27**	7.07	7.05
100 SEK	**14.41**	13.56	13.85	**14.04**	13.71	14.06
1 SGD	**0.75**	0.73	0.75	**0.75**	0.75	0.75
100 ZAR	**10.18**	11.71	11.45	**9.50**	11.47	10.78

06 Financial instruments

The difference between the carrying value less allowances of financial assets and liabilities and their fair value is not material. Level 1 financial instruments amount to CHF 1.3 million (2012: CHF 1.3 million). Level 2 financial assets and liabilities amount to CHF 10.8 million financial assets and CHF 9.5 million financial liabilities respectively (2012: CHF 8.6 million; CHF 15.9 million). The company does not have significant assets for which valuation techniques not based on observable market data are used (level 3).

07 Subsequent events after the balance sheet date

The Board of Directors authorized these interim consolidated financial statements for issue on July 19, 2013. The Board of Directors and the Executive Committee are, at the time of completion of the consolidated financial statements of the corporation on July 19, 2013, not aware of any other events that would materially affect these statements.

Segment information

millions of CHF		Sulzer Pumps 2013	Sulzer Pumps 2012	Sulzer Metco 2013	Sulzer Metco 2012	Sulzer Chemtech 2013	Sulzer Chemtech 2012	Sulzer Turbo Services 2013	Sulzer Turbo Services 2012
Orders									
Order intake		**1 077.7**	1 022.3	**370.7**	360.5	**411.0**	361.0	**251.2**	277.0
Nominal growth		**5.4%**	21.9%	**2.8%**	3.9%	**13.9%**	–3.9%	**–9.3%**	6.6%
Adjusted growth[1]		**5.4%**	0.3%	**–0.8%**	5.9%	**9.9%**	–6.4%	**–8.7%**	6.4%
Order backlog as of June 30/December 31		**1 438.6**	1 309.1	**93.0**	76.5	**344.0**	293.6	**165.6**	151.6
Income statement									
Sales[2]		**949.9**	981.0	**354.5**	339.3	**363.5**	362.6	**239.6**	236.0
Nominal growth		**–3.2%**	32.0%	**4.5%**	3.2%	**0.2%**	19.7%	**1.5%**	7.0%
Adjusted growth[1]		**–3.2%**	8.9%	**1.1%**	5.2%	**–3.6%**	17.0%	**2.1%**	6.4%
Research and development expenses		**17.6**	14.8	**12.6**	11.3	**17.7**	16.0	**–**	–
Operating income before depreciation/amortization	EBITDA	**81.7**	110.0	**44.6**	45.8	**54.2**	53.7	**26.5**	33.0
Depreciation/amortization		**–28.0**	–26.0	**–12.8**	–11.2	**–19.2**	–17.1	**–8.3**	–8.1
Operating income	EBIT	**53.7**	84.0	**31.8**	34.6	**35.0**	36.6	**18.2**	24.9
Return on sales (EBIT/sales)	ROS	**5.7%**	8.6%	**9.0%**	10.2%	**9.6%**	10.1%	**7.6%**	10.6%
Balance sheet									
Operating assets		**2 246.4**	2 257.7	**560.6**	539.4	**643.9**	626.6	**506.6**	510.6
Unallocated assets		**–**	–	**–**	–	**–**	–	**–**	–
Total assets as of June 30/December 31		**2 246.4**	2 257.7	**560.6**	539.4	**643.9**	626.6	**506.6**	510.6
Operating liabilities		**874.5**	860.7	**120.2**	115.1	**217.6**	209.8	**154.7**	140.1
Unallocated liabilities		**–**	–	**–**	–	**–**	–	**–**	–
Total liabilities as of June 30/December 31		**874.5**	860.7	**120.2**	115.1	**217.6**	209.8	**154.7**	140.1
Operating net assets		**1 371.9**	1 397.0	**440.4**	424.3	**426.3**	416.8	**351.9**	370.5
Unallocated net assets		**–**	–	**–**	–	**–**	–	**–**	–
Total net assets as of June 30/December 31		**1 371.9**	1 397.0	**440.4**	424.3	**426.3**	416.8	**351.9**	370.5
Personnel									
Employees (number of full-time equivalents) as of June 30/December 31		**8 573**	8 573	**2 489**	2 399	**3 958**	4 086	**2 592**	2 703

[1] Adjusted for currency effects as well as acquisitions and divestitures.

[2] Sales between segments are not material.

millions of CHF		Total divisions 2013	Total divisions 2012	Others[2)3)] 2013	Others[2)3)] 2012	Total Sulzer[3)] 2013	Total Sulzer[3)] 2012
Orders							
Order intake		**2110.6**	2020.8	**–7.5**	4.6	**2103.1**	2025.4
Nominal growth		**4.4%**	11.0%	**–**	–	**3.8%**	11.0%
Adjusted growth[1)]		**3.2%**	0.9%	**–**	–	**3.0%**	0.9%
Order backlog as of June 30/December 31		**2041.2**	1830.8	**–2.6**	–1.6	**2038.6**	1829.2
Income statement							
Sales		**1907.5**	1918.9	**–6.2**	3.8	**1901.3**	1922.7
Nominal growth		**–0.6%**	20.3%	**–**	–	**–1.1%**	20.1%
Adjusted growth[1)]		**–1.8%**	9.3%	**–**	–	**–1.9%**	9.2%
Research and development expenses		**47.9**	42.1	**–0.1**	1.4	**47.8**	43.5
Operating income before depreciation/amortization	EBITDA	**207.0**	242.5	**10.0**	14.2	**217.0**	256.7
Depreciation/amortization		**–68.3**	–62.4	**–0.5**	–1.2	**–68.8**	–63.6
Operating income	EBIT	**138.7**	180.1	**9.5**	13.0	**148.2**	193.1
Return on sales (EBIT/sales)	ROS	**7.3%**	9.4%	**–**	–	**7.8%**	10.0%
Balance sheet							
Operating assets		**3957.5**	3934.3	**34.8**	26.5	**3992.3**	3960.8
Unallocated assets		**–**	–	**–**	–	**605.9**	646.5
Total assets as of June 30/December 31		**3957.5**	3934.3	**34.8**	26.5	**4598.2**	4607.3
Operating liabilities		**1367.0**	1325.7	**76.6**	60.1	**1443.6**	1385.8
Unallocated liabilities		**–**	–	**–**	–	**903.8**	1000.3
Total liabilities as of June 30/December 31		**1367.0**	1325.7	**76.6**	60.1	**2347.4**	2386.1
Operating net assets		**2590.5**	2608.6	**–41.8**	–33.6	**2548.7**	2575.0
Unallocated net assets		**–**	–	**–**	–	**–297.9**	–353.8
Total net assets as of June 30/December 31		**2590.5**	2608.6	**–41.8**	–33.6	**2250.8**	2221.2
Personnel							
Employees (number of full-time equivalents) as of June 30/December 31		**17612**	17761	**182**	175	**17794**	17936

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

2) The most significant activities under "Others" are Sulzer Innotec, Corporate Center, and consolidation adjustments.

3) The restatement of 2012 figures disclosed in note 04 regarding IAS 19 revised is recognized in Others and Total Sulzer.

Imprint

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

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