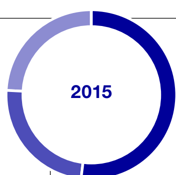
Midyear Report 2015

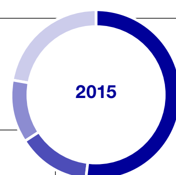
Currency-Adjusted Order Intake Increased

Currency-adjusted order intake increased, while sales and operational EBITA decreased on a currency-adjusted basis. Growing order intake in the water and power markets more than offset reduced activity in the oil and gas market. Currency-adjusted order intake gross margin was at the previous year's level.

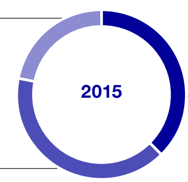
Sales by divisions



Sales by market segments



Sales by regions



Key figures

January 1–June 30

millions of CHF	2015	2014	Change in +/–%	+/–%[1]
Order intake	1 584.1	1 583.4	0.0	3.9
Order intake gross margin	32.9%	33.2%	–0.3[2]	–0.1[2]
Order backlog as of June 30/December 31	1 754.9	1 699.6	3.3	
Sales	1 393.2	1 491.7	–6.6	–3.8
EBIT	47.6	99.2	–52.0	
opEBITA	98.3	120.7	–18.6	–18.7
opROSA	7.1%	8.1%		
EBITDA	104.6	155.8	–32.9	
ROSDA	7.5%	10.4%		
Net income attributable to shareholders of Sulzer Ltd[3]	26.8	483.5	–94.5	
EPS from continuing operations	0.79	1.87		
FCF[3]	33.3	–40.1		
Net liquidity as of June 30/December 31	578.3	773.5		
Employees (number of full-time equivalents) as of June 30/December 31	15 159	15 494	–2.2	

[1] Adjusted for currency effects.
[2] Figure in percentage points.
[3] Includes continuing and discontinued operations for 2014.

Abbreviations

EBIT: Operating income
opEBITA: Operating income before restructuring, amortization, and non-operational items
opROSA: Return on sales before restructuring, amortization, and non-operational items (opEBITA/sales)
EBITDA: Operating income before depreciation and amortization
ROSDA: Return on sales before depreciation and amortization (EBITDA/sales)
EPS: Basic earnings per share
FCF: Free cash flow

Content

Klaus Stahlmann, Chief Executive Officer; Peter Löscher, Chairman of the Board of Directors

“Increased order intake in the water and power markets compensated for reduced activity in the oil and gas market, showing that our focus on three key markets is paying off.”

Winterthur, July 28, 2015

Dear shareholder

The overall market environment remains challenging. Some companies have postponed their projects, and the investment levels—especially from international oil companies—remain low. We are experiencing suspensions of previously awarded contracts in the oil and gas market. They negatively affected our sales volume and—combined with the strong Swiss franc—also our profitability.

Despite these challenging market conditions, we have identified opportunities for Sulzer to grow in our key markets: oil and gas, power, and water. We were able to improve our currency-adjusted order intake by 3.9% compared with the same period last year. Currency-adjusted order intake for spare parts grew by 19%. In the oil and gas market, we are observing an ongoing shift from our traditional customers, such as international oil companies, to national oil companies that generally invest throughout the cycle. We obtained some large service contracts in the Middle East, and we are well-positioned to take part in the continued growth in this region through our acquisition in Saudi Arabia.

The Sulzer Full Potential program is gaining momentum

With the Sulzer Full Potential (SFP) program, the company is aiming to increase its operational ROSA by four to six percentage points from 2018 onwards above the 9.4% achieved in 2014. The measures to reach this target are on track. For example, our new global procurement organization is optimizing procurement processes and leveraging purchasing volumes throughout the corporation. Furthermore, we are lowering the number of legal entities from 110 now to approximately 95 by the end of the year. This will help reduce the complexity and costs of our organization.

For the full year 2015, the Sulzer Full Potential program will contribute approximately 0.6 percentage points to our operational ROSA, helping to partially offset the impact from the abovementioned challenging market conditions. As the program ramps up in 2015, initial implementation costs will be higher than the profit contributions.

We continued to strengthen our portfolio of products and services and our global presence. In the first half of 2015, we acquired Precision Gas Turbine, Matis Interventions Sarl, and InterWeld Inc Ltd, and we completed the acquisition of Saudi Pump Factory. Combined revenues for 2015 are approximately CHF 41 million.

Performance in the first half of the year

Currency-adjusted order intake increased by 3.9%. The increase was supported by order growth of 8.9% in the second quarter of 2015 compared with the second quarter of the previous year. Order intake in the first half of 2015 was further positively affected by some large orders—for instance, a large order from the Middle East in the Tower Field Services business unit of Chemtech. The increased order intake in the water and power markets compensated for reduced activity in the oil and gas and the general industry markets. The market-oriented structure in our Pumps Equipment division and the restructuring in the Water business unit are paying off.

See abbreviations on page 2.

Currency-adjusted sales and operational EBITA in the first half of the year decreased by 3.8% and by 18.7%, respectively. We experienced ongoing headwinds in the oil and gas market. As outlined above, this led to suspensions of previously received orders amounting to CHF 114 million as of June 2015. These suspensions impacted our sales and operational ROSA, especially in our Pumps Equipment division. In China and Southeast Asia, we are facing shrinking markets and intense competition, particularly for Chemtech's Mass Transfer Technology business unit. In addition, the strength of the Swiss franc continues to impact our operational ROSA which decreased to 7.1% (2014: 8.1%).

Lower volumes triggered targeted measures to adjust our capacity. We are reducing the complexity of our manufacturing footprint, and we have streamlined our manufacturing capacities in China, Brazil, and the USA in our Pumps Equipment division. At our Chemtech division, we have adapted the operational setup, and we have discontinued parts of our manufacturing activities in China, Singapore, Canada, and Switzerland. We are restructuring service centers and are improving operations in our Rotating Equipment Services division in the UK and other parts in Europe. To counter the adverse developments and to adjust the operations to current volumes, Sulzer reduced its workforce by 635 at the end of June.

Free cash flow improved to CHF 33.3 million from the same period of the previous year (2014: CHF −40.1 million).

Changes in the Board of Directors and the management

Gerhard Roiss was elected as a new member of the Board of Directors at the Annual General Meeting in April. Luciano Respini did not stand for reelection. The Board of Directors appointed Fabrice Billard as Chief Strategy Officer and member of the Executive Committee.

Outlook

The markets remain highly volatile because of current developments in oil prices, regional conflicts, and geopolitical developments. The oil and gas market is expected to remain weak. The power, water, and general industry markets are forecast to remain on similar levels compared with 2014.
For the full year 2015, we expect currency-adjusted order intake to decrease slightly despite the positive development in the first half of the year.
Due to suspension of orders in the oil and gas market, Sulzer is lowering its guidance for sales and operational EBITA on a currency-adjusted basis and now expects a moderate decrease for the full year 2015 compared with 2014.

Yours sincerely,

Peter Löscher
Chairman of the Board of Directors

Klaus Stahlmann
CEO

See abbreviations on page 2.

Order Intake

Order intake was CHF 1.6 billion (2014: CHF 1.6 billion). On a currency-adjusted basis, this is an increase of 3.9% compared with the same period in 2014.

FCF

Free cash flow (FCF) improved to CHF 33.3 million compared with the same period of the previous year (2014: CHF –40.1 million).

Operational EBITA

Operational EBITA was CHF 98.3 million and decreased by 18.7% from 2014 on a currency-adjusted basis. Suspensions of projects in the oil and gas market amounting to CHF 114 million and a weak market environment for Chemtech in China and Southeast Asia affected operational EBITA negatively.

Operational ROSA

Operational ROSA decreased to 7.1% from 8.1% in the first half of 2014.

EPS

Basic earnings per share (EPS) decreased to CHF 0.79 compared with the first half of last year (2014: CHF 1.87).

Sales

Sales were CHF 1.4 billion (2014: CHF 1.5 billion). On a currency-adjusted basis, this is a decrease of 3.8% compared with the previous year.

See abbreviations on page 2.

Free Cash Flow Improved—Market Headwinds and Strong Swiss Franc Impacted Profitability

Order intake increased by 3.9% adjusted for currency effects. It was driven by strong growth in the water and power markets. Currency-adjusted order intake gross margin was at the previous year's level. As announced, the sales and profitability profile in 2015 is more back-end loaded than in prior years. Currency-adjusted sales decreased by 3.8%, mainly as a result of order suspensions in the Pumps Equipment division in the oil and gas market. The lower sales volume and currency effects, including the stronger Swiss franc, negatively affected operational EBITA. Free cash flow improved by CHF 73.4 million over the prior year.

Nominal order intake of CHF 1 584.1 million was on last year's level. Adjusted[1] order intake increased by 3.9%. The stronger Swiss franc resulted in a negative translation effect of CHF 61.5 million.

Order intake[1] of the Pumps Equipment division increased by 3.5%. Strong growth in the water and power markets was partially offset by lower activity in the oil and gas market. Order intake[1] of spare parts grew by 19%. In the Rotating Equipment Services division, order intake[1] declined by 2.2%, mainly because of lower demand in Europe, Middle East, and Africa (EMEA) and the Asia-Pacific region, while the Americas recorded healthy order intake growth. Order intake[1] in the Chemtech division grew by 12.7%. It was supported by a large order received in the Tower Field Services business unit, which offset the negative impact of the severe market downturn in China.

The divisions reported the following growth rates in order intake:
— Pumps Equipment: –1.9% (adjusted[1] 3.5%)
— Rotating Equipment Services: –4.2% (adjusted[1] –2.2%)
— Chemtech: 10.5% (adjusted[1] 12.7%)

The order backlog increased from CHF 1 700 million on December 31, 2014, to CHF 1 755 million as of June 30, 2015.

Operational EBITA

CHF **98.3m**

(2014: CHF 120.7m)

Stable margins despite lower sales volumes

Sales amounted to CHF 1 393.2 million—a nominal decrease of 6.6% compared with the first half of 2014. Adjusted[1] sales decreased by 3.8%, and the negative currency translation effect totaled CHF 41.3 million. Sales were impacted by suspensions of previously received orders in the oil and gas market in Pumps Equipment and by the low Process Technology order backlog in Chemtech at the beginning of the year. The Rotating Equipment Services division recorded sales[1] growth of 3.4%, which was supported by strong growth in the Americas.

Basic earnings per share

CHF **0.79**

(2014: CHF 1.87)

The divisions reported the following growth rates in sales:
— Pumps Equipment: –10.2% (adjusted[1] –5.9%)
— Rotating Equipment Services: 2.0% (adjusted[1] 3.4%)
— Chemtech: –5.2% (adjusted[1] –4.6%)

The gross margin remained stable on last year's level of 31.3%. The negative impact of the strong headwinds in the oil and gas market segment had a dilutive effect on the gross margin. This effect was absorbed by the positive impact of the changed sales mix and first benefits of the restructuring measures. Pumps Equipment recorded a higher gross margin, mainly because of its Water and Power business units, which performed well. Rotating Equipment Services and Chemtech reported lower margins, chiefly due to the adverse market situation in EMEA and China, respectively. Total gross profit decreased by CHF 30.2 million to CHF 436.1 million because of the lower sales volume, an adjusted[1] decline of 3.1%.

[1] Adjusted for currency effects.

See abbreviations on page 2.

Operational EBITA impacted by lower sales volume in the first half of 2015 and foreign exchange effects

Operational EBITA (opEBITA) amounted to CHF 98.3 million compared with CHF 120.7 million in the first half of 2014, a nominal decrease of 18.6% (adjusted[1] –18.7%). The decline in opEBITA[1] resulted from lower sales volume because of the oil and gas order suspensions as well as transactional foreign exchange effects amounting to CHF –8.4 million (2014: CHF 1.8 million), which negatively affected operating expenses. Operational ROSA decreased to 7.1% compared with 8.1% in the first half of 2014.

Adjusted[1] operating expenses excluding amortization, restructuring expenses, and other non-operational items were on the same level as in 2014. Positive effects from savings measures in selling as well as general and administrative expenses were offset by the abovementioned transactional foreign exchange effects.

Bridge from EBIT to operational EBITA January 1–June 30

millions of CHF	2015	2014
EBIT	47.6	99.2
Amortization	20.5	20.3
Restructuring expenses	7.9	1.2
Adjustments for other non-operational items[2]	22.3	–
opEBITA	98.3	120.7
opROSA	7.1%	8.1%

Higher non-operational 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. These measures resulted in higher restructuring expenses than in the first half of 2014. Other non-operational items include SFP-related internal and external program management and planning expenses that amounted to CHF 13.6 million. Following a decision of the arbitral tribunal, a legal case relating to a dispute with the purchaser of the locomotive business (sold in 1998) had a negative impact of CHF 8.7 million. Cash payment is expected to occur in the second half of 2015.

Consequently, EBIT for the first half year 2015 amounted to CHF 47.6 million compared with CHF 99.2 million in the first half of 2014. Return on sales (ROS) decreased to 3.4% compared with 6.7% in 2014.

Reduction in net income from continuing operations

Net income from continuing operations totaled CHF 27.8 million, a nominal decrease of 56.8%, compared with the first half of 2014.

Net financial income came to CHF –11.5 million compared with CHF –8.1 million in the first half year 2014. This was mainly driven by higher interest expenses due to the legal case mentioned above. Income from associates amounted to CHF 2.8 million and relate to two joint ventures.

The effective tax rate in the first half of 2015 decreased to 28.5% (2014: 29.3%). Without the one-time impact of the abovementioned legal case, the effective tax rate would have been 25.9%.

[1] Adjusted for currency effects.
[2] 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.

See abbreviations on page 2.

In the first half year 2015, net income attributable to Sulzer shareholders amounted to CHF 26.8 million compared with CHF 483.5 million in 2014. In the first half year 2014, the divestiture of the former division Sulzer Metco had contributed a net income of CHF 420.2 million. Adjusted for the Sulzer Metco divestiture, basic earnings per share (EPS) decreased by 57.8% from CHF 1.87 in the first half of 2014 to CHF 0.79 in 2015. This includes the adverse effect of CHF –0.41 per share from the legal case.

Balance sheet: high positions in cash and marketable securities

Total assets on June 30, 2015, came to CHF 4 195.1 million, which was CHF 453.1 million lower than on December 31, 2014. Cash and cash equivalents decreased by CHF 285.1 million, partly due to a shift into marketable securities (increase of CHF 91.5 million). Trade receivables decreased by CHF 133.5 million. Property, plant, and equipment and intangible assets decreased.

The total liabilities dropped by CHF 192.2 million from December 31, 2014, mainly due to lower trade accounts payable as well as lower accrued liabilities and current provisions.

Total equity was CHF 2 181.1 million (December 31, 2014: CHF 2 442.0 million). The decrease of CHF 260.9 million was caused by the currency translation adjustments in the equity of CHF –192.1 million and the payment of dividends to the Sulzer shareholders (CHF 119.2 million).

Strong improvement of free cash flow

Free cash flow amounted to CHF 33.3 million compared with CHF –40.1 million reported in the same period last year. Excluding the positive CHF 25.4 million effect from the Sulzer Metco division, divested in 2014, free cash flow improved by CHF 98.8 million on a continuing operations basis. This led to a net income to free cash flow conversion of 120%. The main drivers were the better contribution from net working capital, which amounted to CHF 107.9 million, and CHF 18.9 million lower capital expenditures, which was partially offset by the lower EBIT contribution.

Cash flow from investing activities totaled CHF –186.0 million compared with CHF 717.8 million in the prior year. The prior year figure included CHF 920.0 million from the sale of the Sulzer Metco division. In the first half year of 2015, the cash flow from investing activities was driven by the purchase of marketable securities (CHF 99.0 million), acquisition-related payments of CHF 63.2 million (2014: CHF 2.9 million), and capital expenditures of CHF 32.9 million (2014: CHF 51.1 million).

Cash flow from financing activities contained the dividend payout of CHF 119.2 million compared with CHF 108.9 million in the first half of 2014. The net change in cash amounted to CHF –285.1 million, including negative exchange effects on the cash positions of CHF –40.1 million.

Outlook

The markets remain highly volatile because of current developments in oil prices, regional conflicts, and geopolitical developments. The oil and gas market is expected to remain weak. The power, water, and general industry markets are forecast to remain on similar levels compared with 2014.
For the full year 2015, Sulzer expects currency-adjusted order intake to decrease slightly despite the positive development in the first half of the year.
Due to the suspension of orders in the oil and gas market, the company is lowering its guidance for sales and operational EBITA on a currency-adjusted basis and now expects a moderate decrease for the full year 2015 compared with 2014.

See abbreviations on page 2.

Increased Order Intake and Global Manufacturing Network

Currency-adjusted order intake and order intake gross margin increased from the first half of 2014. Sales, operational EBITA, and operational ROSA decreased. Pumps Equipment has established a market-oriented operational structure and a global manufacturing network.

Market-oriented structure and dedicated global Parts, Retrofit, and Nuclear organization

Pumps Equipment is now organized in three market-oriented business units Oil and Gas, Power, and Water, and a dedicated global Parts, Retrofit, and Nuclear organization. The division has established a global manufacturing network to make better use of its capacity and improve quality.
In April, Sulzer acquired the French company Matis Interventions Sarl and further strengthened its position in the nuclear business.

Currency-adjusted order intake increased

Order intake[1] increased by 3.5% in the first half of 2015. Order intake gross margin[1] increased by 0.7 percentage points to 33.5%. Activity in the oil and gas market was low across all regions, particularly in the Americas and in China. Order intake in the power market increased, particularly in EMEA[2]. Demand in the water market increased, mainly due to larger projects in the Middle East and Brazil. Despite market headwinds, order intake[1] for spare parts increased by 19%.

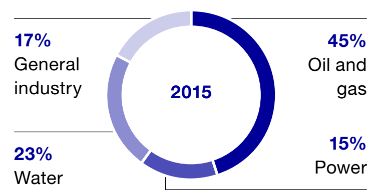
Decrease in sales, operational EBITA, and operational ROSA

Sales[1] decreased by 5.9% in the first half of 2015. The decrease resulted from suspended orders in the Oil and Gas business unit, particularly in the Americas and in China. Sales in the water and power markets as well as in the parts, retrofit, and nuclear business increased, showing that the focus on market segments and the restructuring in the Water business unit are starting to pay off. Operational EBITA[1] decreased by 40.0%, impacted by suspended orders in oil and gas and by internal reallocations. Operational ROSA was 4.4% (2014: 6.8%).

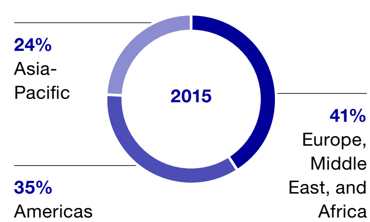
Market outlook

For the full year 2015, Pumps Equipment expects order intake[1] to decrease moderately. The division forecasts lower demand in the oil and gas market, especially in the Americas and in China. Higher order intake volumes in the power and water markets, particularly in EMEA[2], are projected to partially offset the lower order intake in the oil and gas market.

Sales by market segments



Sales by regions



Key figures Pumps Equipment
January 1–June 30

millions of CHF	2015	2014	Change in +/–%	+/–%[1]
Order intake	834.8	851.3	–1.9	3.5
Order intake gross margin	33.0%	32.8%	0.2[3]	0.7[3]
Order backlog as of June 30/December 31	1 212.1	1 209.4	0.2	
Sales	726.7	809.5	–10.2	–5.9
EBIT	20.5	43.4	–52.8	
opEBITA	31.7	55.1	–42.5	–40.0
opROSA	4.4%	6.8%		
Employees (number of full-time equivalents) as of June 30/December 31	7 306	7 365	–0.8	

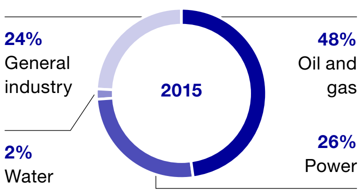
[1] Adjusted for currency effects.
[2] Europe, Middle East, and Africa.
[3] Figures in percentage points.

See abbreviations on page 2.

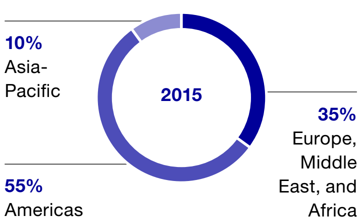
Increase in Sales and Extended Service Capabilities

Sales increased, while order intake decreased. On a currency-adjusted basis, operational EBITA was stable, while operational ROSA decreased. Sulzer has broadened its service portfolio with an acquisition.

Sales by market segments



Sales by regions



Extending service capabilities

Sulzer acquired the business of Precision Gas Turbine Inc. (Florida), extending its range of gas turbine services. The gas turbine service joint venture in China was awarded its first long-term services and parts contracts.

Decrease in order intake

Order intake[1] decreased by 2.2%, due to a high base in the first half of 2014, which included some large projects. Order intake gross margin[1] decreased by 0.6 percentage points. Order intake in the Americas was higher, but decreased in EMEA[2]—especially in the North Sea region. Demand in the Asia-Pacific region was lower because of the absence of large power projects.

Increased sales—stable currency-adjusted operational EBITA

Sales[1] increased by 3.4%, driven by a very strong performance in the USA, supported by operational improvements in the pumps service business. In EMEA[2], sales decreased due to low demand and project delays, especially in the turbine service business for the power industry. Asia-Pacific was also impacted by lower volumes. Operational EBITA[1] was flat. Low volumes and under-absorption in EMEA[2] and Asia-Pacific were compensated by the strong Americas region. Restructuring in several locations is ongoing and additional improvement measures are under review. Operational ROSA was 8.3% (2014: 8.2%).

Market outlook

The division expects similar order intake[1] levels in all regions compared with 2014, despite challenging market environments and political uncertainties in key areas.

Key figures Rotating Equipment Services January 1–June 30

millions of CHF	2015	2014	Change in +/–%	+/–%[1]
Order intake	364.0	379.9	–4.2	–2.2
Order intake gross margin	30.6%	31.3%	–0.7[3]	–0.6[3]
Order backlog as of June 30/December 31	224.1	212.2	5.6	
Sales	334.0	327.5	2.0	3.4
EBIT	22.7	24.1	–5.8	
opEBITA	27.8	26.7	4.1	–0.5
opROSA	8.3%	8.2%		
Employees (number of full-time equivalents) as of June 30/December 31	3659	3709	–1.3	

[1] Adjusted for currency effects.
[2] Europe, Middle East, and Africa.
[3] Figures in percentage points.

See abbreviations on page 2.

Increased Order Intake and Enhanced Product Portfolio

Order intake on a currency-adjusted basis increased by 12.7% in the first half of 2015. Sales, operational EBITA, and operational ROSA decreased. Sulzer acquired InterWeld Inc Ltd and adapted the operational setup of Chemtech.

Enhancing Product portfolio and adapting operational setup

Sulzer acquired the business of InterWeld Inc Ltd (Northern Ireland), which complements its existing offering of welding solutions. Because of the challenging market environment, particularly in China and Southeast Asia, and the strong Swiss franc, Sulzer announced measures to adapt the operational setup of Chemtech.

Order intake increased

In the first half of 2015, order intake[1] increased by 12.7%, while order intake gross margin[1] decreased by 2.1 percentage points. The increase in order intake was mainly driven by a large order from the Middle East in the Tower Field Services business unit. Excluding the large order, demand in the oil and gas market was flat compared with the same period in 2014. Within this market, the Americas as well as EMIRA[2] performed well, whereas demand was weak in Asia, especially in China. The process technology business and the markets served by Sulzer Mixpac Systems (general industry) were on the previous year's level.

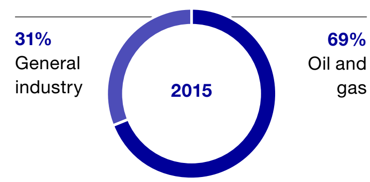
Decrease in sales, operational EBITA, and operational ROSA

Sales[1] decreased by 4.6%. The main reason was weak contributions from the Process Technology and Mass Transfer Technology business units in Asia, which were partially offset by growth in the Americas. Operational EBITA[1] decreased by 27.3%, impacted by lower margins and lower volumes in the Mass Transfer Technology and Process Technology business units. The strong Swiss franc further negatively affected the profitability of the Swiss-based businesses. Operational ROSA was 10.0% (2014: 13.1%).

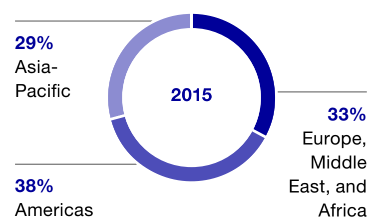
Market outlook

For the full year 2015, Chemtech expects a slight increase in order intake[1]. Demand in the general industry is forecast to increase slightly. Activity in the oil and gas market is expected to remain flat. The markets in EMIRA[2] are projected to be flat while the Americas is expected to continue on a high level. The Asia-Pacific region is forecast to remain challenging.

Sales by market segments



Sales by regions



Key figures Chemtech January 1–June 30

millions of CHF	2015	2014	Change in +/–%	+/–%[1]
Order intake	391.1	354.0	10.5	12.7
Order intake gross margin	34.2%	36.3%	–2.1[3]	–2.1[3]
Order backlog as of June 30/December 31	319.3	282.0	13.2	
Sales	338.8	357.3	–5.2	–4.6
EBIT	22.8	40.0	–43.0	
opEBITA	33.8	46.7	–27.6	–27.3
opROSA	10.0%	13.1%		
Employees (number of full-time equivalents) as of June 30/December 31	4020	4287	–6.2	

[1] Adjusted for currency effects.
[2] Europe, Middle East, India, Russia, and Africa.
[3] Figures in percentage points.

See abbreviations on page 2.

Consolidated income statement

January 1–June 30

Consolidated income statement

millions of CHF	Notes	2015	2014
Continuing operations			
Sales	5	1 393.2	1 491.7
Cost of goods sold		–957.1	–1 025.4
Gross profit		**436.1**	**466.3**
Selling and distribution expenses		–150.4	–161.2
General and administrative expenses		–169.3	–163.2
Research and development expenses		–35.2	–38.7
Other operating income and expenses, net	6	–25.7	–2.8
Restructuring expenses	5	–7.9	–1.2
Operating income (EBIT)	**5**	**47.6**	**99.2**
Interest and securities income		3.2	3.2
Interest expenses	11	–15.5	–10.4
Other financial income/(expenses)		0.8	–0.9
Share of profit/(loss) of associates	8	2.8	–
Income before income tax expenses		**38.9**	**91.1**
Income tax expenses		–11.1	–26.7
Net income from continuing operations		**27.8**	**64.4**
Discontinued operations			
Net income from discontinued operations, net of income taxes	3	–	420.2
Net income		**27.8**	**484.6**
Attributable to shareholders of Sulzer Ltd		26.8	483.5
Attributable to non-controlling interests		1.0	1.1
Earnings per share (in CHF)			
Basic earnings per share		0.79	14.23
Diluted earnings per share		0.78	14.16
Continuing operations			
Basic earnings per share continuing operations		0.79	1.87
Diluted earnings per share continuing operations		0.78	1.85
Discontinued operations			
Basic earnings per share discontinued operations		–	12.36
Diluted earnings per share discontinued operations		–	12.31

Consolidated statement of comprehensive income
January 1–June 30

Consolidated statement of comprehensive income

millions of CHF	Notes	2015	2014
Net income		**27.8**	**484.6**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		4.3	–0.3
Currency translation differences		–192.8	–28.8
Reclassification to the income statement of foreign currency translation difference relating to the disposal of Metco	3	–	60.7
Total of items that may be reclassified subsequently to the income statement		**–188.5**	**31.6**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax		4.9	–5.2
Total of items that will not be reclassified to the income statement		**4.9**	**–5.2**
Total other comprehensive income		**–183.6**	**26.4**
Total comprehensive income for the period		**–155.8**	**511.0**
Attributable to shareholders of Sulzer Ltd		–156.1	509.7
Attributable to non-controlling interests		0.3	1.3

Consolidated balance sheet

Consolidated balance sheet

millions of CHF	Notes	June 30, 2015	December 31, 2014	June 30, 2014
Non-current assets				
Goodwill		657.4	675.1	957.3
Other intangible assets		258.8	317.4	282.0
Property, plant, and equipment		498.9	530.7	495.5
Investment in associates	8	5.2	2.5	–
Other financial assets		11.6	11.9	11.6
Non-current receivables		7.3	11.3	11.6
Deferred income tax assets		119.7	126.8	93.8
Total non-current assets		**1 558.9**	**1 675.7**	**1 851.8**
Current assets				
Inventories		486.3	487.5	491.3
Advance payments to suppliers		78.5	79.0	82.1
Trade accounts receivable		822.4	955.9	888.5
Other accounts receivable and prepaid expenses		141.1	148.6	152.3
Marketable securities	7	198.3	106.8	149.6
Cash and cash equivalents		909.6	1 194.7	1 140.7
Total current assets		**2 636.2**	**2 972.5**	**2 904.5**
Total assets		**4 195.1**	**4 648.2**	**4 756.3**
Equity				
Share capital		0.3	0.3	0.3
Reserves		2 163.7	2 435.1	2 737.1
Equity attributable to shareholders of Sulzer Ltd		**2 164.0**	**2 435.4**	**2 737.4**
Non-controlling interest		17.1	6.6	6.4
Total equity		**2 181.1**	**2 442.0**	**2 743.8**
Non-current liabilities				
Non-current borrowings	10	506.1	510.3	517.5
Deferred income tax liabilities		75.5	93.7	93.7
Non-current income tax liabilities		2.6	2.6	2.8
Defined benefit obligations		263.2	280.9	117.2
Non-current provisions	11	72.3	71.3	92.6
Other non-current liabilities		37.3	30.9	1.9
Total non-current liabilities		**957.0**	**989.7**	**825.7**
Current liabilities				
Current borrowings	10	23.5	17.7	32.1
Current income tax liabilities		15.1	32.4	76.1
Current provisions	11	114.8	147.7	121.6
Trade accounts payable		318.8	383.6	325.1
Advance payments from customers		204.6	210.9	261.5
Other current and accrued liabilities		380.2	424.2	370.4
Total current liabilities		**1 057.0**	**1 216.5**	**1 186.8**
Total liabilities		**2 014.0**	**2 206.2**	**2 012.5**
Total equity and liabilities		**4 195.1**	**4 648.2**	**4 756.3**

Consolidated statement of changes in equity

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury stock	Cash flow hedge reserve	Currency translation adjustment	Total	Non-controlling interest	Total equity
Equity as of January 1, 2014		**0.3**	**2691.1**	**–26.9**	**2.3**	**–332.4**	**2334.4**	**6.3**	**2340.7**
Comprehensive income for the period:									
Net income			483.5				483.5	1.1	484.6
— Cash flow hedges, net of tax					–0.3		–0.3		–0.3
— Remeasurements of defined benefit obligations, net of tax			–5.2				–5.2		–5.2
— Currency translation differences						31.7	31.7	0.2	31.9
Other comprehensive income			**–5.2**	**–**	**–0.3**	**31.7**	**26.2**	**0.2**	**26.4**
Total comprehensive income for the period			**478.3**	**–**	**–0.3**	**31.7**	**509.7**	**1.3**	**511.0**
Transactions with owners of the company:									
Transactions in treasury shares			–6.3	4.1			–2.2		–2.2
Share-based payments, net of tax			5.1				5.1		5.1
Dividends	9		–109.6				–109.6	–0.5	–110.1
Change in scope of consolidation							–	–0.7	–0.7
Equity as of June 30, 2014		**0.3**	**3058.6**	**–22.8**	**2.0**	**–300.7**	**2737.4**	**6.4**	**2743.8**
Equity as of January 1, 2015		**0.3**	**2720.3**	**–23.4**	**–5.7**	**–256.1**	**2435.4**	**6.6**	**2442.0**
Comprehensive income for the period:									
Net income			26.8				26.8	1.0	27.8
— Cash flow hedges, net of tax					4.3		4.3		4.3
— Remeasurements of defined benefit obligations, net of tax			4.9				4.9		4.9
— Currency translation differences						–192.1	–192.1	–0.7	–192.8
Other comprehensive income			**4.9**	**–**	**4.3**	**–192.1**	**–182.9**	**–0.7**	**–183.6**
Total comprehensive income for the period			**31.7**	**–**	**4.3**	**–192.1**	**–156.1**	**0.3**	**–155.8**
Transactions with owners of the company:									
Transactions in treasury shares			–3.9	2.8			–1.1		–1.1
Share-based payments, net of tax			5.0				5.0		5.0
Dividends	9		–119.2				–119.2	–0.3	–119.5
Change in scope of consolidation							–	10.5	10.5
Equity as of June 30, 2015		**0.3**	**2633.9**	**–20.6**	**–1.4**	**–448.2**	**2164.0**	**17.1**	**2181.1**

Consolidated statement of cash flows
January 1–June 30

Consolidated statement of cash flows

millions of CHF	Notes	2015	2014
Cash and cash equivalents as of January 1		**1 194.7**	**549.9**
Net income		27.8	484.6
Interest and securities income		–3.2	–3.2
Interest expenses		15.5	10.9
Income tax expenses		11.1	35.7
Depreciation, amortization, and impairments		56.9	57.8
Income from disposals of subsidiaries; property, plant, and equipment; and financial instruments		–0.1	–394.3
Changes in inventories		–30.7	–65.0
Changes in advance payments to suppliers		–3.1	4.1
Changes in trade accounts receivable		63.1	–14.5
Changes in advance payments from customers		12.0	–8.1
Changes in trade accounts payable		–37.0	–20.1
Changes in provisions		–15.9	–12.2
Changes in other net current assets		–4.2	–12.5
Other non-cash items		15.0	3.3
Interest received		3.3	3.4
Interest paid		–1.8	–2.6
Income tax paid		–44.6	–57.7
Total cash flow from operating activities		**64.1**	**9.6**
Purchase of intangible assets		–0.3	–2.0
Purchase of property, plant, and equipment		–32.9	–51.1
Sale of property, plant, and equipment		2.4	3.4
Acquisitions of subsidiaries, net of cash acquired		–63.2	–2.9
Divestitures of subsidiaries	3	–	920.0
Purchase of marketable securities		–99.0	–149.6
Sale of marketable securities		7.0	–
Total cash flow from investing activities		**–186.0**	**717.8**
Dividend	9	–119.2	–108.9
Purchase of treasury stock		–1.1	–3.0
Dividend paid to non-controlling interests		–0.3	–0.5
Additions in non-current borrowings		0.5	0.5
Repayment of non-current borrowings		–	–1.8
Additions in current borrowings		0.7	4.5
Repayment in current borrowings		–3.7	–29.4
Total cash flow from financing activities		**–123.1**	**–138.6**
Exchange gains/losses on cash and cash equivalents		–40.1	2.0
Net change in cash and cash equivalents		**–285.1**	**590.8**
Cash and cash equivalents as of June 30		**909.6**	**1 140.7**

Selected Notes to the Interim Consolidated Financial Statements

1 Basis of preparation

This unaudited consolidated interim financial statements for the six months ended June 30, 2015, comprise Sulzer Ltd and its subsidiaries, together referred to as the group. The interim financial statements have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

In preparing these interim financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense, as well as the disclosure of contingent liabilities. Actual results may differ from these estimates. The significant judgments and estimates were the same as those applied in the consolidated financial statements for the year 2014, with the exception of changes in provisions as disclosed in note 11.

2 Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated financial statements for the year 2014.

There are no IFRS standards or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2015, that have a material impact on Sulzer's financial statements.

3 Significant changes in the scope of consolidation

The fair value of the acquired identifiable intangible assets and the contingent considerations related to business combinations in the reporting period are provisional and pending on the final valuations.

Significant changes in 2015

Saudi Pump Factory

On February 2, 2014, Sulzer signed an agreement for the acquisition of a 75% stake in Saudi Pump Factory. The purchase price for the 75% stake is CHF 31.0 million. Saudi Pump Factory, located in Riyadh, Saudi Arabia, has a workforce of 170 employees. Closing of this transaction occurred on June 29, 2015, after receiving regulatory approval. 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 deductable for tax purposes. Transaction cost recognized in general and administrative expenses amounted to CHF 0.6 million. The non-controlling interest has been recognized as a proportion of net assets acquired.

Acquired net assets of Saudi Pump Factory

millions of CHF	Fair value
Intangible assets	1.8
Property, plant, and equipment	13.5
Cash and cash equivalents	0.3
Trade accounts receivable	9.3
Other current assets	13.7
Liabilities with third parties	–11.0
Deferred tax liabilities	–0.5
Identified acquired net assets	**27.1**
Purchase price paid in cash	31.0
Non-controlling interest	10.5
Goodwill	**14.4**

Precision Gas Turbine Inc.

On June 3, 2015, Sulzer acquired 100% of the business of Precision Gas Turbine Inc. (Florida). The agreed purchase price is CHF 14.4 million including a cash payment of CHF 8.4 million and contingent considerations of CHF 6.0 million. 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 deductable over 15 years. Transaction cost recognized in general and administrative expenses amounted to CHF 0.1 million.

Acquired net assets of Precision Gas Turbine Inc.

millions of CHF	Fair value
Intangible assets	5.6
Property, plant, and equipment	0.2
Other current assets	0.9
Deferred tax liabilities	–2.2
Identified acquired net assets	**4.5**
Purchase price paid in cash	8.4
Contingent consideration	6.0
Goodwill	**9.9**

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 7.8 million (USD 8.3 million). The calculation of the contingent consideration is based on management assessments that the criteria will be achieved at a probability of 72%.

MATIS INTERVENTIONS SARL/InterWeld Inc Ltd

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.

On January 8, 2015, Sulzer acquired 100% of InterWeld Inc Ltd. 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 both acquisitions is attributable to synergies from combined solutions and shared services. None of the goodwill is expected to be deductable for tax purposes. Total transaction costs recognized in general and administrative expenses amounted to CHF 0.2 million.

Acquired net assets of MATIS INTERVENTIONS SARL/ InterWeld Inc Ltd

millions of CHF	Fair value
Intangible assets	4.0
Property, plant, and equipment	1.4
Cash and cash equivalents	0.5
Trade accounts receivable	0.2
Other current assets	0.4
Liabilities with third parties	–0.2
Deferred tax liabilities	–0.8
Identified acquired net assets	**5.5**
Purchase price paid in cash	5.2
Payables for investment not yet paid	0.6
Contingent consideration	3.1
Goodwill	**3.4**

The contingent consideration is dependent on the future performance of the acquired company, and is based on the latest estimate of the future performance.

Had all above acquisitions occurred on January 1, 2015, management estimates that net sales of the group would have been higher by CHF 14.0 million and the consolidated net income would increase by approximately CHF 1.0 million.

Finalization of the provisional purchase price allocation 2014

Following the finalization of the purchase price allocation done in 2014, the provisional goodwill as of December 31, 2014 of ASCOM/ProLabNL and Grayson Armature was adjusted from CHF 52.5 million to CHF 71.1 million. The purchase price allocation for aixfotec GmbH remained unchanged.

Significant changes in 2014

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. aixfotec GmbH generates sales in the single-digit million euro range. 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.

Acquired net assets of aixfotec

millions of CHF	Fair value
Intangible assets	3.3
Property, plant, and equipment	0.1
Cash and cash equivalents	1.1
Trade accounts receivable	0.4
Other current assets	0.5
Liabilities with third parties	−2.4
Deferred tax liabilities	−0.8
Identified acquired net assets	**2.2**
Purchase price paid in cash	2.6
Contingent consideration	1.6
Goodwill	**2.0**

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.

Grayson Armature

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 general and administrative expenses 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 (USD 6.0 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%.

Acquired net assets of Grayson Armature

millions of CHF	Final purchase price allocation	Provisional purchase price allocation
Intangible assets	4.5	4.5
Property, plant, and equipment	8.7	8.7
Cash and cash equivalents	2.8	2.8
Trade accounts receivable	4.1	4.1
Other current assets	1.3	1.3
Liabilities with third parties	–2.8	–2.8
Deferred tax liabilities	–2.8	–2.8
Identified acquired net assets	**15.8**	**15.8**
Purchase price paid in cash	39.1	38.1
Contingent consideration	4.9	4.9
Goodwill	**28.2**	**27.2**

ASCOM/ProLabNL

On September 15, 2014, Sulzer acquired 100% of Advanced 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 general and administrative expenses amounted to CHF 0.3 million.

Acquired net assets of ASCOM/ProLabNL

millions of CHF	Final purchase price allocation	Provisional purchase price allocation
Intangible assets	46.3	58.7
Property, plant, and equipment	11.7	11.7
Cash and cash equivalents	0.8	0.8
Trade accounts receivable	1.3	1.3
Other current assets	5.8	7.2
Liabilities with third parties	–9.6	–9.6
Deferred tax liabilities	–13.7	–16.2
Identified acquired net assets	**42.6**	**53.9**
Purchase price paid in cash	35.1	36.5
Contingent consideration	50.4	42.7
Goodwill	**42.9**	**25.3**

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%.

Contingent consideration

millions of CHF	2015	2014
Balance as of January 1	49.2	2.3
Assumed in a business combination	9.1	49.2
Adjustments due to finalization of purchase price allocation	7.7	–
Release to other operating income	–	−0.7
Payment of contingent consideration	−18.6	−1.6
Currency translation difference	−5.5	–
Total contingent consideration as of June 30/December 31	**41.9**	**49.2**

Sulzer Metco

Sulzer has successfully completed the sale of its Sulzer Metco division. This sale was announced on January 31, 2014, and was closed on June 2, 2014. Assets and liabilities have been deconsolidated as of June 2, 2014.

Income statement from discontinued operations

millions of CHF	Jan 1–Jun 30 2015	Jan 1–Jun 30 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 translation differences	–	512.1
Reclassification of translation differences	–	−60.7
Income tax on sale of discontinued operations	–	−57.8
Net income from discontinued operations	**–**	**420.2**
Attributable to shareholders of Sulzer Ltd	–	420.2
Attributable to non-controlling interests	–	–

Cash flows from discontinued operations

millions of CHF	Jan 1–Jun 30 2015	Jan 1–Jun 30 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	June 30, 2015	June 30, 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**

millions of CHF	June 30, 2015	June 30, 2014
Consideration received (cash and cash equivalents)	–	954.0
Cash and cash equivalents disposed of	–	–34.0
Net cash inflow	**–**	**920.0**

4 Currency exchange rates

Currency exchange rates

CHF	2015		2014	
	Average rate	Closing rate	Average rate	Closing rate
	Jan–Jun	Jun	Jan–Jun	Jun
1 EUR	1.06	1.04	1.22	1.22
1 GBP	1.44	1.46	1.49	1.52
1 USD	0.95	0.93	0.89	0.89
1 BRL	0.32	0.30	0.39	0.41
1 CAD	0.77	0.75	0.81	0.83
100 CNY	15.23	15.02	14.45	14.35
100 INR	1.51	1.46	1.47	1.48
100 MXN	6.26	5.94	6.80	6.87
100 SEK	11.32	11.29	13.64	13.23
1 SGD	0.70	0.69	0.71	0.71
100 ZAR	7.95	7.60	8.33	8.41

5 Segment information

Segment information by divisions

millions of CHF	Pumps Equipment		Rotating Equipment Services		Chemtech	
	2015	2014	**2015**	2014	**2015**	2014
Order intake	**834.8**	**851.3**	**364.0**	**379.9**	**391.1**	**354.0**
Nominal growth	–1.9%	–10.8%	–4.2%	1.8%	10.5%	–13.9%
Adjusted growth[1]	3.5%	–5.4%	–2.2%	8.0%	12.7%	–9.7%
Order backlog as of June 30/December 31	1 212.1	1 209.4	224.1	212.2	319.3	282.0
Sales[2]	**726.7**	**809.5**	**334.0**	**327.5**	**338.8**	**357.3**
Nominal growth	–10.2%	–4.3%	2.0%	–5.2%	–5.2%	–1.7%
Adjusted growth[1]	–5.9%	1.2%	3.4%	0.0%	–4.6%	2.5%
opEBITA[3]	**31.7**	**55.1**	**27.8**	**26.7**	**33.8**	**46.7**
opROSA[4]	4.4%	6.8%	8.3%	8.2%	10.0%	13.1%
Restructuring expenses	–2.8	–1.2	–2.0	–	–3.1	–
Amortization	–8.4	–10.5	–3.1	–2.6	–7.9	–6.7
Non-operational items	–	–	–	–	–	–
EBIT[5]	**20.5**	**43.4**	**22.7**	**24.1**	**22.8**	**40.0**
Depreciation	–13.8	–15.0	–7.1	–6.8	–13.8	–12.5
Operating assets	1 543.3	1 659.0	640.7	682.8	838.4	743.0
Unallocated assets	–	–	–	–	–	–
Total assets as of June 30/ December 31	1 543.3	1 659.0	640.7	682.8	838.4	743.0
Operating liabilities	651.6	756.3	207.4	231.7	339.6	242.8
Unallocated liabilities	–	–	–	–	–	–
Total liabilities as of June 30/ December 31	651.6	756.3	207.4	231.7	339.6	242.8
Operating net assets	891.7	902.7	433.3	451.1	498.8	500.2
Unallocated net assets	–	–	–	–	–	–
Total net assets as of June 30/December 31	891.7	902.7	433.3	451.1	498.8	500.2
Capital expenditure	15.9	23.0	6.4	8.3	10.6	13.1
Employees (number of full-time equivalents) as of June 30/ December 31	7 306	7 365	3 659	3 709	4 020	4 287

[1] Adjusted for currency effects.
[2] Sales between segments are not material.
[3] Operating income before restructuring, amortization, and non-operational items.
[4] Return on sales before restructuring, amortization, 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	**1 589.9**	**1 585.2**	**–5.8**	**–1.8**	**1 584.1**	**1 583.4**
Nominal growth	0.3%	–8.8%	–	–	0.0%	–8.9%
Adjusted growth[1]	4.2%	–3.5%	–	–	3.9%	–3.6%
Order backlog as of June 30/December 31	1 755.5	1 703.6	–0.6	–4.0	1 754.9	1 699.6
Sales	**1 399.5**	**1 494.3**	**–6.3**	**–2.6**	**1 393.2**	**1 491.7**
Nominal growth	–6.3%	–3.9%	–	–	–6.6%	–3.9%
Adjusted growth[1]	–3.6%	1.3%	–	–	–3.8%	1.3%
opEBITA[3]	**93.3**	**128.5**	**5.0**	**–7.8**	**98.3**	**120.7**
opROSA[4]	6.7%	8.6%	–	–	7.1%	8.1%
Restructuring expenses	–7.9	–1.2	–	–	–7.9	–1.2
Amortization	–19.4	–19.8	–1.1	–0.5	–20.5	–20.3
Non-operational items	–	–	–22.3	–	–22.3	–
EBIT[5]	**66.0**	**107.5**	**–18.4**	**–8.3**	**47.6**	**99.2**
Depreciation	–34.7	–34.3	–1.8	–2.0	–36.5	–36.3
Operating assets	3 022.4	3 084.8	–97.3	96.9	2 925.1	3 181.7
Unallocated assets	–	–	–	–	1 270.0	1 466.5
Total assets as of June 30/ December 31	3 022.4	3 084.8	–97.3	96.9	4 195.1	4 648.2
Operating liabilities	1 198.6	1 230.8	70.9	177.4	1 269.5	1 408.2
Unallocated liabilities	–	–	–	–	744.5	798.0
Total liabilities as of June 30/ December 31	1 198.6	1 230.8	70.9	177.4	2 014.0	2 206.2
Operating net assets	1 823.8	1 854.0	–168.2	–80.5	1 655.6	1 773.5
Unallocated net assets	–	–	–	–	525.5	668.5
Total net assets as of June 30/ December 31	1 823.8	1 854.0	–168.2	–80.5	2 181.1	2 442.0
Capital expenditure	32.9	44.4	0.3	8.7	33.2	53.1
Employees (number of full-time equivalents) as of June 30/ December 31	14 985	15 361	174	133	15 159	15 494

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, and non-operational items.
4) Return on sales before restructuring, amortization, and non-operational items (opEBITA/sales).
5) Operating income.

6 Other operating income and expenses

Total other operating expenses increased by CHF 22.9 million. The increase is related to a dispute with the purchaser 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 (2014: CHF 0.0 million) in other operating income and expenses. Additionally, transactional foreign exchange effects had a negative effect on operating expenses of CHF 8.4 million (2014: income CHF 1.8 million) and higher expenses for employee defined benefit plans of CHF 4.0 million (2014: CHF 1.9 million) were recognized.

7 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as at June 30, 2015, and December 31, 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. The fair value of financial instruments traded in active markets (such as marketable securities or the outstanding bond) is based on quoted market prices at the balance sheet date. Such instruments (if any) are included in level 1. Marketable securities classified in level 1 comprise interest-bearing investments with short duration. The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. Forward exchange and other forward contracts are valued using a market comparison technique: the fair values are based on quoted or otherwise observable prices for similar instruments at the balance sheet date. Forward exchange and other forward contracts are included in level 2. During 2015 Sulzer has invested in time deposits with maturities between 3 and 12 months, leading to an increase in marketable securities categorized in level 2. Contingent considerations (level 3) are linked on the fulfillment of certain parameters, mainly related to technology transfer.

Fair value table

millions of CHF					**June 30, 2015**
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Marketable securities	198.3	198.3	98.3	100.0	–
Available-for-sale financial assets	4.5	4.5	–	4.5	–
Derivative assets	11.3	11.3	–	11.3	–
Total financial assets measured at fair value	**214.1**	**214.1**	**98.3**	**115.8**	**–**
Financial assets not measured at fair value					
Loans and receivables	7.1				
Non-current receivables (excluding derivative assets)	7.3				
Trade accounts receivable	822.4				
Other accounts receivable (excluding derivative assets)	129.8				
Cash and cash equivalents	909.6				
Total financial assets not measured at fair value	**1 876.2**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value					
Derivative liabilities	10.2	10.2	–	10.2	–
Contingent considerations	41.9	41.9	–	–	41.9
Total financial liabilities measured at fair value	**52.1**	**52.1**	**–**	**10.2**	**41.9**
Financial liabilities not measured at fair value					
Outstanding bond	499.2	511.2	511.2	–	–
Bank loans and other borrowings	30.4				
Other non-current liabilities	37.3				
Trade accounts payable	318.8				
Other current liabilities (excluding derivative liabilities)	76.9				
Total financial liabilities not measured at fair value	**962.6**	**511.2**	**511.2**	**–**	**–**

Fair value table

millions of CHF	December 31, 2014				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Marketable securities	106.8	106.8	99.4	7.4	–
Available-for-sale financial assets	4.5	4.5	–	4.5	–
Derivative assets	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	7.4				
Non-current receivables (excluding derivative assets)	11.3				
Trade accounts receivable	955.9				
Other accounts receivable (excluding derivative assets)	103.8				
Cash and cash equivalents	1 194.7				
Total financial assets not measured at fair value	**2273.1**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value					
Derivative liabilities	11.7	11.7	–	11.7	–
Contingent considerations	49.2	49.2	–	–	49.2
Total financial liabilities measured at fair value	**60.9**	**60.9**	**–**	**11.7**	**49.2**
Financial liabilities not measured at fair value					
Outstanding bond	498.9	514.4	514.4	–	–
Bank loans and other borrowings	29.1				
Other non-current liabilities	30.9				
Trade accounts payable	383.6				
Other current liabilities (excluding derivative liabilities)	86.8				
Total financial liabilities not measured at fair value	**1 029.3**	**514.4**	**514.4**	**–**	**–**

8 Investments in associates

Investments in associates

millions of CHF	2015	2014
Balance as of January 1	2.5	–
Addition	0.1	2.4
Profit from continuing operations	2.8	–
Currency translation differences	−0.2	0.1
Total investments in associates as of June 30/December 31	**5.2**	**2.5**

On November 21, 2014, Sulzer signed an agreement to form a new company with the Unaoil Group dedicated to the service of all rotating equipment for oil and gas, and power customers in Southern Iraq. The transaction was closed on June 26, 2015 and the 49% stake of the year-to-date profit was recognized in profit from continuing operations.

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.

9 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. The total amount of the dividend was CHF 119.2 million (2014: CHF 109.6 million).

10 Borrowings

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

11 Provisions

Provisions

millions of CHF	Other employee benefits	Warranties/ liabilities	Restruc- turing	Environ- mental	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	13.1	8.9	1.6	–	7.1	30.7
Released as no longer required	−0.3	−6.9	–	–	−2.1	−9.3
Released for utilization	−11.8	−22.9	−0.4	–	−6.5	−41.6
Currency translation differences	−1.8	−7.7	−0.1	−0.4	−3.1	−13.1
Total provisions as of June 30, 2015	**37.4**	**70.9**	**2.4**	**16.1**	**60.3**	**187.1**
— thereof non-current	31.8	1.0	–	16.1	23.4	72.3
— thereof current	5.6	69.9	2.4	–	36.9	114.8

The category of “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 dispute with the purchaser 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. Cash payment is expected to occur in July 2015.

The increase in restructuring provision is related to measures of the Chemtech division to adapt the operational setup to current market conditions in Switzerland.

Environmental mainly consists of expected costs related to inherited liabilities.

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to onerous contracts, 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 2015, by their nature the amounts and timing of any cash outflows are difficult to predict.

12 Subsequent events after the balance sheet date

The Board of Directors authorized these interim consolidated financial statements for issue on July 27, 2015. At the time when these consolidated interim financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any events that would materially affect these financial statements.

Imprint

Published by:
Sulzer Ltd, Winterthur,
Switzerland, © 2015

Concept/Layout:
wirDesign, Berlin Braunschweig,
Germany

Photographs:
Geri Krischker, Zurich, Switzerland
(page 4);
plainpicture/Cultura
(cover, back cover)

The Sulzer Midyear Report 2015 is also available in German and online at www.sulzer.com/MYR15. The original version is in English.

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

www.sulzer.com