



## Focused on creating value and growing profitably

Sulzer holds leading positions in its key markets: oil and gas, power, and water. The company is dedicated to creating long-term value and growing profitably. With its focused portfolio, Sulzer offers both performance-critical equipment and related services to its customers.

Divisions <sup>1)</sup>



### Sulzer Pumps

Pump technology and solutions

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

Order intake

**CHF 2 031m**

(2012: CHF 2 094m)

Sales

**CHF 2 051m**

(2012: CHF 2 098m)

Operating income

**CHF 169m**

(2012: CHF 191m)



### Sulzer Turbo Services

Service solutions for rotating equipment

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

Order intake

**CHF 472m**

(2012: CHF 535m)

Sales

**CHF 472m**

(2012: CHF 511m)

Operating income

**CHF 39m**

(2012: CHF 55m)



### Sulzer Chemtech

Separation, mixing, and service solutions

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

Order intake

**CHF 750m**

(2012: CHF 705m)

Sales

**CHF 744m**

(2012: CHF 725m)

Operating income

**CHF 81m**

(2012: CHF 71m)

<sup>1)</sup> Structure as per December 31, 2013.

## Letter from the CEO

Sulzer is committed to creating profitable growth, while assuming its social and ecological responsibility.



### Dear reader

Sulzer aspires to be a leader in energy efficiency. Our reliable and sustainable product and service solutions enable our customers to generate both cost improvements and reduce their environmental footprints.

In 2013, Sulzer defined its market strategy focusing on the three key markets oil and gas, power, and water. As a consequence of a more focused key market strategy, a divestiture process was initiated to sell the Metco division, which is namely active in the transportation market. We also initiated significant changes last year with the goal of becoming an integrated and more customer-focused company. The adapted operational structure, effective since January 1, 2014, consists of the Pumps Equipment division comprising pumps business and spares including an integrated Water business unit. The division Rotating Equipment Services integrates maintenance and repair services for turbines, compressors, generators, motors, and pumps. The Chemtech division remains unchanged. As *one* integrated company, we can now offer one access point for customers and focus on value creation and profitable growth.

With a global network of over 150 production and service locations, Sulzer's operations are relevant for the global environment and society. We continuously evaluate and improve our impact on economic, social, and ecological

stakeholders with a dedicated system and a network of local quality, environment, health and safety, and human rights experts. In 2014, we will intensify the collaboration between our risk and compliance functions and introduce the new corporate reporting platform. This will consolidate extra-financial and financial data in one single environment. We will also continue to invest in promoting the life cycle thinking and LEAN concept in all relevant activities. With this proactive approach we will not only stay ahead of for instance international regulation on product and organizational efficiency. Sulzer and our customers directly benefit from these operational excellence improvements.

Sustainability remains at the core of Sulzer's strategy in the future. We continue to act as a credible and competent partner who creates value for its key stakeholders. I would like to thank all of our stakeholders for their continued cooperation. I would like to express my sincere gratitude to all Sulzer employees for their extraordinary efforts. Their support and hard work make me confident that Sulzer will become *one* strong company.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'K. Stahlmann'. The signature is fluid and cursive.

**Klaus Stahlmann,**  
CEO

## Cutting-edge technology from deepwater solutions to dental applications

Strategic and mutually beneficial partnerships are crucial for Sulzer to reinforce its technology leadership. With a highly developed innovative and entrepreneurial mind-set, Sulzer can offer its customers a portfolio with high-end solutions.



Innovation and technology play a key role for Sulzer. Our innovative solutions add value and strengthen the competitive position of our customers.

Technology leadership—one of Sulzer's strategic priorities—is a key pillar of sustainable business success. Sulzer has a long track record in engineering innovative solutions with high customer benefit. In 2013, the company invested CHF 71 million in research and development (2012: CHF 67 million), which is 2.2% relative to sales (2012: 2.0% of sales). The number of patents filed in 2013 was 46.

### Collaborating with partners to create high customer value

Sulzer Pumps and FMC Technologies—the global leader in subsea system integration—signed a long-term and exclusive collaboration agreement for subsea pumps in 2013. The agreement includes the supply of pumps for subsea applications to FMC Technologies and the further development of pumping technology to meet the growing demands of the subsea exploration and production industry. The new long-term partnership between Sulzer Pumps and FMC Technologies is beneficial for both companies and highlights the importance of the strategic priority collaborative advantage for Sulzer.

#### Number of patents

# 46

(2012: 60)

#### R&D investments <sup>1)</sup>

# CHF 71m

(2.2% of sales)

(2012: CHF 67m)

Sulzer has a long history of collaboration with academic institutions such as ETH Zurich (Swiss Federal Institute of Technology Zurich) or Texas A&M. At ETH, the company sponsors a professorship in fluid dynamics at the department of Mechanical and Process Engineering. With this partnership, Sulzer benefits from access to directed research on topics relevant to the company, and it also attracts highly talented potential employees. In addition, Sulzer has intensified its networking with other industry members such as ABB, Alstom, and BASF.

<sup>1)</sup> From continuing operations.

In 2013, Sulzer was awarded an order for the delivery to China of the first industrial-scale production plant based on Sulzer's proprietary polylactic acid (PLA) technology. The facility will produce more than 10 000 tons of high-performance PLA per year. Special characteristics of the PLA produced are that it can withstand temperatures as high as 180°C and can be used in a broad range of applications in various industries like the electronics and automotive segments. Commercial production is planned to start in the second half of 2014. To support application development until the plant is operational, Sulzer is supplying materials to its customer from its PLA demonstration plant in Switzerland. This 1 000-ton-per-year demonstration facility for PLA production was built to emphasize Sulzer's commitment to the bioplastics industry. In the future, Sulzer will remain able to support new developments made by customers, because running samples for application development is more flexible at a small scale plant than on a commercial production line.

#### Testing, monitoring, and upgrading to improve life cycle cost

Sulzer develops pump solutions for deep water (2 000 m) oil and gas production. These subsea pumping solutions allow oil recovery from remote subsea fields. To validate the performance of the new subsea pumps, the company has built a test facility in the UK. It emulates the conditions of the subsea installation as closely as possible to verify all operational conditions prior to deepwater deployment.

While testing pumps is crucial, customers also need to know how to monitor, maintain, and run the pumps in the optimum way to reach the overall best life cycle cost. Sulzer has therefore developed an application based on Android and IOS. It allows connecting the controllers and controlling panels of the ABS wastewater pump systems.

More than 90% of a typical pipeline pump's life cycle cost originates from energy use. Hence Sulzer focuses on efficiency issues and identifies optimization strategies and retrofits. Because pipeline pumps must comply with continuously changing requirements and ensure safe operation,

retrofit solutions are an ideal way of improving reliability while maximizing performance at a short return on investment.

#### Reducing turnaround time and waste with outstanding solutions

Sulzer's service business offers customized weld repair solutions for critical rotating equipment. Innovation is the key to remaining a leader in the service business: for instance, conventional rotor weld repair procedures cannot be used on certain components in specific situations. Sulzer engineers have developed a specialized weld procedure for gas turbine disk repairs to solve this challenge. They thereby have significantly decreased repair costs and turnaround time.

During the last few years, Sulzer has developed a new static mixing geometry with significantly less waste volume. The market introduction of this new patented mixer—T-MIXER™—started in spring 2013. The company applied its expertise in advanced development methods like CFD (computational fluid dynamics) for fluid dynamics simulation and functional performance testing in close cooperation with key customers. As a result, it became possible to decrease the waste volume of a typical application by up to 30%. This has clear ecological and economic benefits for Sulzer's customers.

#### Bubbles boost wastewater treatment efficiency



Economic wastewater treatment is crucial everywhere, but especially in regions with a shortage of freshwater supplies. With Sulzer's pioneering aeration technology, customers can increase the wastewater treatment efficiency and save considerable energy costs. Until now, Sulzer has installed over five million diffusers and 1 600 high-speed compressors worldwide.

The city of Girona, Spain, entrusted Sulzer with the improvement of the wastewater treatment plant. In Girona, Sulzer replaced the old air distribution system with the efficient Nopon fine bubble disc diffuser system. Furthermore, modern HST turbocompressors replaced the old blowers. As a result, the energy consumption dropped by a fifth. This translates into massive cost savings and a substantial reduction of CO<sub>2</sub> emissions. But that's not all: the vibration free turbocompressors lower noise emissions as well. This eliminates the need for expensive noise-insulated blower houses and provides a pleasant working environment.

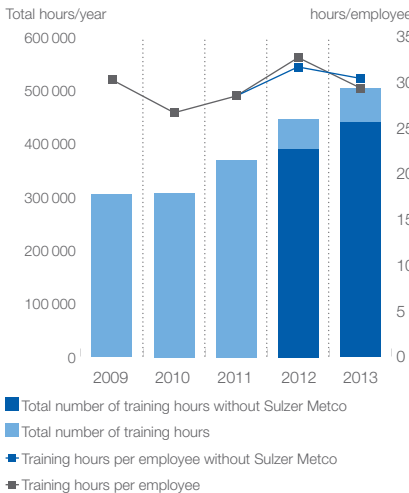
# Ensuring a healthy and safe environment at work

Sulzer has established a corporate safety culture that mitigates potential risks for its workforce. The company trains its employees and fosters their operational and management skills as well as their leadership competencies.

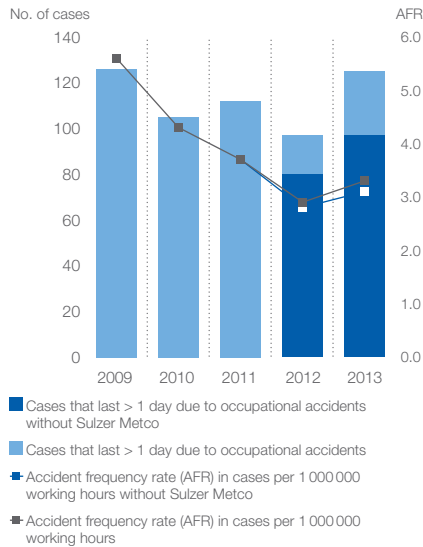
Health and safety of its employees is a top priority for Sulzer. The company encourages its employees to act safely in all circumstances.



## Training hours



## Accidents



Sulzer aspires to excellence in health and safety and is therefore committed to complying with internationally renowned Occupational Health and Safety (OHS) standards. The company confirmed its goal of zero accidents and continued to encourage its employees to act safely at all times.

Key performance indicators in safety show an upward trend in 2013. The management intensified its efforts in health and safety and attempted to increase the impact of these efforts on all employees. Considerable investments were made in safety programs and training sessions to strengthen the company's safety culture. Additionally, all Sulzer manufacturing and service centers continued to implement and continuously improve OHS management systems like OHSAS 18001 and/or SCC certification. In 2013, 82% of Sulzer's manufacturing and service centers were certified accordingly. The company also continued to internally align and

harmonize its sustainability reporting and metrics on a global level—with the ultimate goal of a fully integrated reporting.

#### Improved safety culture through tailored initiatives

Sulzer initiated new programs and followed up on existing ones to improve its safety culture and performance further in 2013. Significant contributions came from the company's Safe Behavior Program (SBP), the Hazardous Materials Emissions and Exposure (HMEE) risk mitigation program, and the blacklist program on the substitution of (potentially) hazardous substances.

The Safe Behavior Program, which was rolled out globally in 2012, was established as a change program to foster a strong safety culture with an emphasis on preventing accidents by encouraging employees to act safely in all circumstances. This program provides the necessary platform to intervene in any unsafe situation (read more in the box).

#### Continued efforts to decrease frequency and severity of accidents

All Sulzer sites are required to report four key indicators on health and safety on a monthly basis: the accident frequency rate (AFR), the accident severity rate (ASR), the number of major/minor accidents (including all cases of medical treatment and first aid), and the number of occupational illnesses.

The AFR and ASR are the main indicators and will become relevant for bonus purposes in 2014. In 2013, Sulzer's global AFR target was 2.7 and the ASR target 38. The AFR was 3.1 cases per million working hours (2012: 2.8) in 2013. In 2013, the ASR decreased by two days to 58 lost days per million working hours (2012: 60). Sulzer increased its ongoing efforts to lower the AFR and ASR with tailored measures, as an integral part of the company's Safe Behavior Program.

#### Programs for learning and development boost in-house talent pool

Sulzer offers several programs to train its employees and foster their operational and management skills as well as their leadership competencies. The corporate Program for Development and Impact (PDI) is a long-standing training program

for ambitious managers, leaders, and functional specialists on various levels of the organization. It is beneficial for both the company and the participants because it supports cross-organizational job placements and enhances the employability of each individual. The program follows a philosophy of action learning and is highly oriented towards implementation and impact. The content of the training fosters capabilities of the individual, the team, and the business. The PDI is a cornerstone of Sulzer's investment in leadership development and a contributor to Sulzer's talent pool. In 2013, 73 managers and experts participated in one of the three PDIs.

Being an effective leader requires not only excellent technical, but also interpersonal and management skills. The Sulzer Management Training (SMT) trains new leaders and offers a refresher for established leaders. The SMT provides the essential skills and knowledge required to handle various communication and leadership challenges faced in management situations. In 2013, it was offered as a pilot training course in Switzerland. More than 40 participants took this pilot training and their feedback was consistently positive.

To manage training programs for employees, Sulzer will implement a learning management system (LMS). This cloud-based platform will contain all training courses available, both classroom and e-learning. Moreover, team leaders can check the training status and history and define training plans for their team members in this online tool. The LMS was launched at a pilot site in August 2013. The implementation throughout the entire company will be completed in 2015.

Sulzer's continued investment in human resources is reflected in the fact that 71% of leadership positions were filled with internal talents in 2013.

For scope and period of data see Sustainability Report 2013 at [www.sulzer.com/sustainability-report](http://www.sulzer.com/sustainability-report)

#### "People are the agents of change"



Sulzer's global Safe Behavior Program fosters a proactive, precautionary approach that lowers risks and increases awareness, thereby reducing the frequency and severity of accidents. While the program is global, the benefits are visible on a local level. For instance, the manufacturing site in Curitiba, Brazil, faced a difficult time in early 2013: several accidents occurred in short succession. To counteract this development, a change in the safety culture was initiated. In line with the global Sulzer Safe Behavior Program, the management conducted a series of training sessions and refurbished old machinery to meet current standards to increase the plant's safety. The impact of the initiative became visible by September 2013 when the site celebrated 100 days without accident. "Changing the culture of the employees was the biggest challenge," says Cesar Grande, the site's Managing Director. "We can now clearly see a change in internal culture where safety stops being somebody else's problem and becomes their own commitment. In other words, people are the agents of change."

Watch our safety vision video featuring core behaviors of the Safe Behavior Program at:



[www.sulzer.com/sbp](http://www.sulzer.com/sbp)

## Toward an integrated and customer-focused company

Sulzer initiated significant changes in 2013 with the goal of becoming *one* integrated and more customer-focused company. The company strove to act as a socially responsible employer, building on its strong values.

Sulzer fosters diversity with respect to gender, culture, and demography. Diverse teams can build on different viewpoints and, thus, have better ways of solving problems.



The integration of the service business and new setup of group functions as of the beginning of 2014 as well as the process for the divestment of one division were demanding projects for Sulzer in 2013. Thanks to Sulzer's highly qualified and committed employees, the company is convinced that it will successfully manage the transition to being *one* integrated and customer-focused company.

### Strong values and committed employees

During times of change, company values gain importance as the fundamental principles of interacting and doing business. They act as an inner compass that guides all of Sulzer's activities. They define who Sulzer is and how the company behaves. There are three core values at Sulzer:

- Customer partnership
- Operational excellence
- Committed people



Committed employees are essential for Sulzer to achieve profitable growth and sustainable value. Sulzer Chemtech, for instance, with its Committed People Award, acknowledges the extraordinary achievements and contributions of its employees that have resulted in benefits for the company and its stakeholders. Such benefits include for example: affirming a sense of community and shared vision towards the Sulzer core values; creating a positive, supportive, and healthy work environment and culture; and encouraging initiatives, creativity, success, and excellence within the company. All employees including apprentices but excluding managers are eligible for the award.

Commitment is also fostered by motivating young future professionals to pursue a technical career. Sulzer offers attractive, future-proof apprenticeships of high quality. Every apprentice is assigned a supervisor who supports the apprentice not only in acquiring the necessary technical knowledge, but also in developing and strengthening personal and social skills. This not only inspires students to take on an engineering study but also offers an excellent opportunity for them to develop at an early stage in their professional lives. In 2013, the voluntary attrition rate decreased to 7.0% (2012: 7.9%).

**A diverse workforce for one company and one brand**

Diversity has always created a competitive advantage for Sulzer. The company's workforce is diverse in terms of gender, demography, and culture. In 2013, 15% of the workforce, 14% of all managers, and 12% of the Sulzer Management Group (top 100 managers) were female. Sulzer's customer base is also highly diverse and is located all over the world. Teams with different backgrounds not only create better solutions, but they are also closer to the company's customers and understand their specific needs. Sulzer employs 15 382 employees in 150 locations in over 40 countries. About 44% of the company's employees work in Europe, Middle East, and Africa. 28% work in the Americas (North, Central, and South America) and 28% work in the Asia-Pacific region.

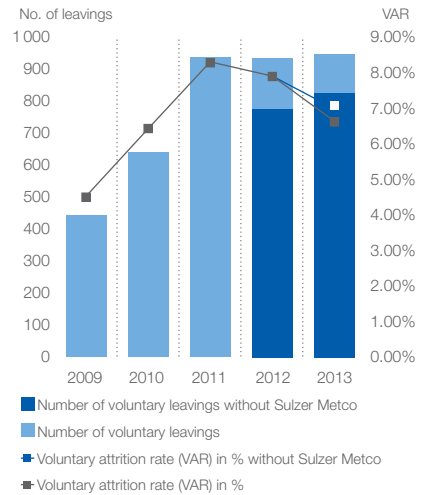
The company trusts and continuously builds on the value of its strong brand and focuses its communication on its one-brand strategy. This clearly strengthens the Sulzer brand, which is world renowned for experience, innovation, reliability, and quality. Moreover, it transports the values of the company in a consistent and believable manner. At the end of 2013, Sulzer headquarters in Winterthur, Switzerland, were united into a single building. This relocation empowers employees to increase internal collaboration under one roof.

**Assuming social responsibility also in challenging times**

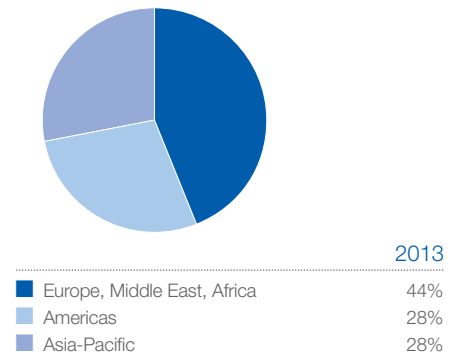
In 2013, Sulzer had to announce a headcount reduction of 300 full-time equivalents (FTEs) due to the integration of the group functions and weaknesses in some business areas. Around 100 FTEs were affected at the headquarters in Switzerland. The other 200 positions were reduced in businesses facing weak demand, particularly in the wastewater pumps business and in electromechanical services. Sulzer has assumed responsibility for the employees who were made redundant and has developed comprehensive social plans together with the employee representatives to accompany those employees with the best possible support.

For scope and period of data see Sustainability Report 2013 at [www.sulzer.com/sustainability-report](http://www.sulzer.com/sustainability-report)

**Voluntary attrition rate**



**Geographical spread of employees <sup>1)</sup>**



<sup>1)</sup> From continuing operations.

## Reliable and energy-efficient solutions

Sulzer aspires to be a leader in providing energy-efficient solutions. These solutions allow Sulzer to improve its competitive edge and support its customers to create a more sustainable economy.



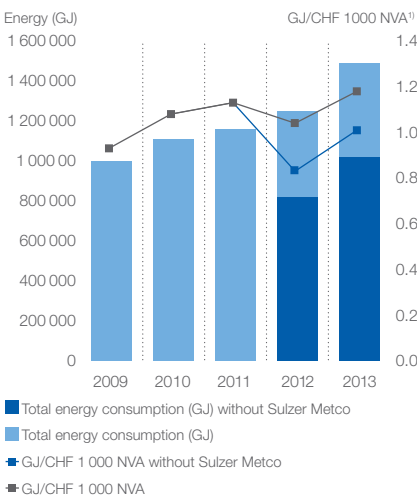
Sulzer offers its customers energy-efficient solutions. They help them to achieve both economic and ecological advantages.

Sulzer's customers ask increasingly for reliable and energy-efficient products. They expect sustainable, state-of-the-art components to run processes at optimized cost levels. Since costs and environmental impacts occur at different stages throughout the lifetime of a product, Sulzer considers the entire life cycle of its products and solutions.

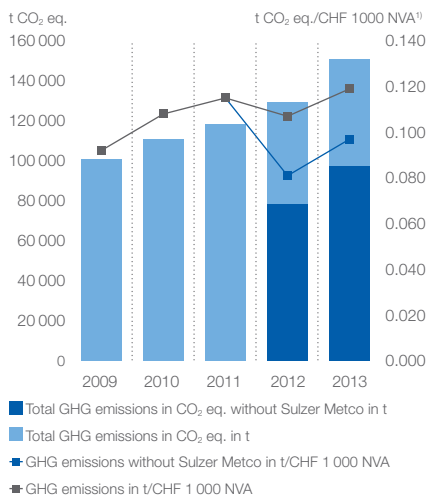
### Environmental impact of solutions

With standardized, externally verified environmental product declarations (EPD), Sulzer can provide environmental information on many of its products' life cycle stages. In addition, EPDs increase transparency and comparability. They highlight the ecological and economical benefits of the solutions Sulzer provides to its customers. Sulzer's EPDs help customers in their investment decisions and in the sustainable design of their value-added chain. To date, Sulzer offers type III EPDs for most engineered and configured pump types. Project-specific EPDs are available on request; examples are available at [www.sulzer.com/epd](http://www.sulzer.com/epd).

### Energy consumption



### Total greenhouse gas emissions



The company's innovative and energy-efficient technologies and services mainly reduce the carbon footprint through lower electricity consumption rates. One example is Sulzer's innovative and energy-efficient HST turbocompressor. With this turbocompressor, the energy efficiency of air production in a wastewater treatment plant can be increased by up to 45%.

<sup>1)</sup> Net value added.

### Extending lifetime of products

Lifetime extension solutions such as revamps or maintenance services require fewer resources than the construction of completely new solutions. Thus, Sulzer offers retrofit, revamp, and similar services to upgrade capital-intensive systems with energy-efficient technologies and parts. Like this, customers can extend the lifetime of their products. Whenever lifetime extension is not viable, Sulzer supports and consults its customers in finding the ideal ecological and economic solution for proper disposal. The company informs customers primarily about local or regional recycling possibilities, because transporting products (like pumps or entire separation column installations back to a Sulzer plant) is a comparably environmentally unfriendly solution.

### Comprehensive reporting system

Sulzer systematically and continuously collects data so it can report on the environmental impact of its solutions. The goal is to provide management and external stakeholders with reliable, accurate, timely, and comparable non-financial information to create a balanced view of Sulzer's sustainability performance and initiatives. In 2014, extra-financial and financial data will be consolidated on one single reporting platform.

### Measuring the environmental performance

Sulzer collects data on the resource consumption and effluents of its own operations to manage its organizational footprint. The company set itself corporate year-on-year rolling targets to hold or reduce this year's values from last year's values.

The 2013 hazardous waste rolling target was met by Sulzer with 0.002 t per CHF 1 000 NVA (2012: 0.003 t/CHF 1 000 NVA). In 2013, hazardous waste decreased by 1 201 tons (metric) to 2 282 tons (2012: 3 483 tons). The continuing downward trend shows the success of Sulzer's efforts to lower the amount of waste produced.

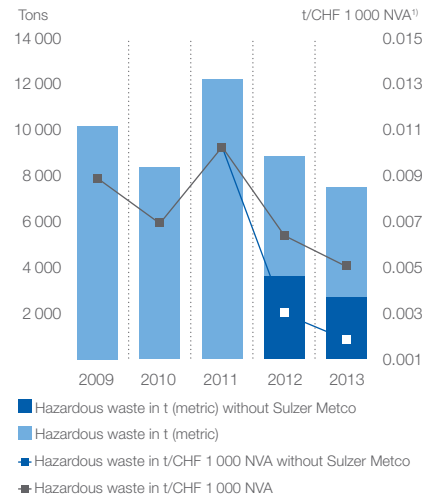
To optimize its organizational water footprint, the company focuses on reducing its water consumption. Sulzer was able to lower its water consumption values per CHF 1 000 NVA from last year's values by 8% to 1.6 m<sup>3</sup>. In 2013, Sulzer's total water consumption decreased by 6% to 1 591 611 m<sup>3</sup>.

The year-on-year rolling target for energy consumption was not met. Energy consumption per CHF 1 000 NVA increased by 21% to 1.01 GJ. In 2013, total energy consumption increased by 23% to 1 017 354 GJ due to, amongst others, an extended reporting scope.

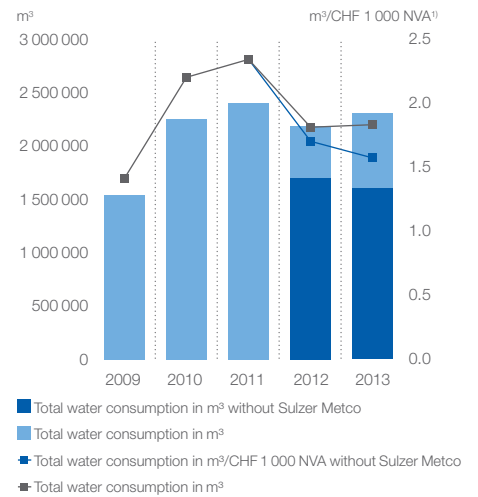
As a result, the CO<sub>2</sub> emissions per CHF 1 000 NVA increased by 20% to 0.097 tons, whereas the total greenhouse gas emissions increased by 23% to 98 170 t CO<sub>2</sub> eq.

For scope and period of data see Sustainability Report 2013 at [www.sulzer.com/sustainability-report](http://www.sulzer.com/sustainability-report)

### Hazardous waste



### Water consumption



¹) Net value added.

### Imprint

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

The Sulzer Sustainable Development 2013 summary and the Sulzer Sustainability Report 2013 are also available on [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability).

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