SULZER

NEUE IDEEN
NEUE MATERIALIEN
NEUE PROZESSE

Geschäftsbericht 2018

Inhalt

Brief an die Aktionärinnen und Aktionäre

Sehr geehrte Aktionärinnen,
Sehr geehrte Aktionäre

Fortschrittliche Materialien und Prozesse eröffnen viele neue Chancen für Sulzer. Sie ermöglichen vollkommen neue Produkte, Produkte mit verbesserten Eigenschaften, neue Fertigungs- und Dienstleistungskonzepte, eine schnellere und effizientere Produktion.

Fortschrittliche Materialien und Technologien wie die additive Fertigung verlängern den Lebenszyklus unserer Produkte, steigern die Verfügbarkeit und Effizienz, reduzieren die Vorlaufzeiten und schonen die Umwelt. Bei Sulzer geht es nicht allein um reine Willenskraft, sondern um das Zusammenspiel von Wille, Verstand und dem richtigen Material.

Erfahren Sie im diesjährigen Geschäftsbericht mehr darüber, welche Rolle die Werkstoffe der Zukunft schon heute bei Sulzer spielen.

Geschäftsentwicklung im Jahr 2018

Sulzer ist im Geschäftsjahr 2018 deutlich gewachsen. Der Bestellungseingang stieg auf organischer Basis um 8.4%, einschliesslich Akquisitionen um 12.5%. Im sich erholenden Öl- und Gasmarkt schnitten wir überdurchschnittlich ab. Darüber hinaus entwickelten sich alle unsere Segmente, abgesehen von Energie, auf das etwas mehr als 10% unseres Geschäfts entfallen, positiv.

Die Region Europa, Naher Osten und Afrika (EMEA) verzeichnete einen höheren Bestellungseingang. Noch stärker fiel der Anstieg in Nord-, Mittel- und Südamerika aus. In der Region Asien-Pazifik blieb der Bestellungseingang stabil.

Der Umsatz nahm organisch um 7.8%, unter Berücksichtigung von Akquisitionen um 11.9% zu. Die höheren Umsatzvolumen und die effizientere Kostenstruktur führten zu einer Steigerung des operativen EBITA (opEBITA) auf CHF 322.2 Millionen. Dies entspricht einem Anstieg von 18.1% auf organischer Basis beziehungsweise von 26.7% einschliesslich Akquisitionen. Die Profitabilität (opROSA) erhöhte sich von 8.4% im vergangenen Jahr auf 9.5%.

Wir hielten unsere Versprechen und erzielten 2018 starke Ergebnisse. Sulzer stellte seine Widerstandsfähigkeit gegenüber externen Ereignissen und seine Fähigkeit zur Beschleunigung und Optimierung seiner Prozesse eindrücklich unter Beweis.

Greg Poux-Guillaume, CEO

Mehr Effizienz und Agilität

Wir haben weiter daran gearbeitet, Sulzer zu einem noch effizienteren und agileren Unternehmen zu machen. Dabei konnten wir 2018 zusätzliche CHF 45 Millionen einsparen und damit unsere Einsparungen insgesamt auf CHF 230 Millionen erhöhen. Infolgedessen sind wir dem Zeitplan ein Jahr voraus und liegen CHF 30 Millionen über unserem ursprünglichen Ziel. Im Jahr 2019, dem letzten Jahr unseres Sulzer-Full-Potential-Programms (SFP-Programm), werden wir zusätzliche Einsparungen von CHF 10 Millionen realisieren und unsere insgesamt erzielten Kosteneinsparungen auf CHF 240 Millionen erhöhen.

Gezielte Akquisitionen und profitables Wachstum

Wir sind stolz auf die neuen Unternehmen, die wir 2018 in der Sulzer-Familie willkommen heissen durften. Sie werden unser profitables Wachstum beschleunigen, indem sie unser Angebot erweitern und uns Zugang zu neuen Märkten eröffnen.

- JWC Environmental (USA) erweitert unser Abwassergeschäft mit Produkten und Technologien zur Reduzierung und Entfernung von Feststoffen aus dem Abwasser (abgeschlossen im Januar 2018).
- Medmix Systems (CH) vergrössert unser Portfolio von Applikatoren im Gesundheitsbereich mit Applikationssystemen für Gewebebehandlung, Knochenreparatur, Mundchirurgie und Medikamentenverabreichung (abgeschlossen im August 2018).
- Brithinee Electric (USA) erlaubt es uns, den südkalifornischen Markt für erneuerbare Energien mit unseren elektromechanischen Dienstleistungen zu erschliessen (abgeschlossen im November 2018).

Die in den Jahren 2017 und 2018 abgeschlossenen Akquisitionen trugen 2018 CHF 129 Millionen zum Bestellungseingang und CHF 127 Millionen zum Umsatz bei. Unsere jüngsten Akquisitionen stärkten unser Ersatzteil- und Serviceportfolio und verbesserten unsere Position in relativ zyklusunabhängigen Märkten wie Wasser und Gesundheit. Im Jahr 2019 setzen wir unsere Akquisitionsstrategie fort und suchen weiter gezielt nach angemessen bewerteten kleinen bis mittelgrossen Kandidaten. Unsere solide Bilanz ermöglicht uns zwar auch, grössere Übernahmekandidaten in Erwägung zu ziehen, aber bisher hat keiner davon unsere Anforderungen erfüllt.

Ein erfolgreiches Jahr

Der Auftakt für das Jahr 2018 verlief vielversprechend. Das robuste erste Quartal lag deutlich über unserer Prognose.

Wir hätten an Schwung verlieren können, als die USA am 6. April Sanktionen gegen unseren damaligen Mehrheitsaktionär Renova verhängten. Deshalb handelten wir mit Renova sehr schnell den Rückkauf von fünf Millionen unserer eigenen Aktien zum Preis von CHF 109.13 je Aktie aus, womit sich der Anteil von Renova an Sulzer auf 48.8% reduzierte. Das US-Finanzministerium stimmte der Transaktion zu und bestätigte, dass wir nicht länger als Teil der Renova-Gruppe angesehen werden. Damit waren wir von den Sanktionen befreit. Auch wenn die Sanktionen den Geschäftsgang kurzfristig beeinträchtigten, konnten wir das Problem innerhalb von drei Arbeitstagen lösen. Nach einer Woche lief das Geschäft wieder normal. Unsere Kunden unterstützten uns während und nach den Verhandlungen. Die entstandenen Kosten waren nicht wesentlich. Wir schlossen das starke zweite Quartal mit einem Anstieg der Bestellungen in den USA um 15% ab.

Unsere Produkte schaffen Mehrwert für unsere Kunden. Sie erhöhen die Effizienz ihrer Prozesse und senken ihre Kosten. Manchmal retten sie sogar Leben. Als die Nachwuchsfussballmannschaft der „Wild Boars“ im Sommer 2018 in einer überfluteten Höhle in Thailand eingeschlossen war, stellte unser örtlicher Partner DungDong Geräte und Expertise von Sulzer für das Abpumpen des Wassers aus der Höhle bereit. Tag und Nacht pumpten 18 Hochleistungspumpen von Sulzer Wasser ab, bis die Rettung abgeschlossen war. Wir sind stolz auf unsere blauen Pumpen, die auf vielen Fotos der Rettungsaktion zu sehen sind, und sind froh, dass wir bei dieser herzerwärmenden Geschichte eine diskrete, aber entscheidende Rolle spielen konnten.

Im dritten Quartal erhielten wir die grösste Bestellung von Pipelinepumpen im US-amerikanischen Öl- und Gasmarkt seit dem Abschwung. Zudem eröffneten wir eine brandneue Fertigungsstätte für die Division Applicator Systems in Breslau, Polen, aus der wir den dynamischen Klebstoffmarkt besser bedienen können.

Am 18. September verkauften wir alle fünf Millionen von Renova zurückgekauften Aktien an internationale Anleger. Damit erhöhten wir unseren Streubesitz auf 51.2% und erzielten einen Veräusserungsgewinn von rund CHF 15 Millionen.

Wir beendeten das Jahr mit Ergebnissen, die den Prognosen entsprachen oder diese übertrafen. Zudem wurden wir für unsere fortschrittliche Pumpen-Analytikplattform BLUE BOX™ mit dem Goldzertifikat der Swiss Digital Economy Awards ausgezeichnet. BLUE BOX™ setzt maschinelles Lernen und das Internet der Dinge für eine vorausschauende Wartung und für die Leistungsoptimierung der Kundenanlagen ein.

Trotz externer Geschäftsrisiken und Marktvolatilität erzielten wir 2018 profitables Wachstum. Das Managementteam von Sulzer handelte entschieden und sorgte für eine Performance, die zusehends höheres Niveau erreichte. Das verheisst Gutes für das Jahr 2019.

Peter Löscher, Verwaltungsratspräsident

Vollständige Refinanzierung für künftiges Wachstum

Im Jahr 2018 optimierten wir unseren Finanzierungsmix weiter und nutzten günstige Marktbedingungen. Zwischen Juni und Oktober gab Sulzer vier Anleihen mit gestaffelten Laufzeiten im Gesamtwert von CHF 860 Millionen aus. Das Unternehmen gehörte 2018 zu den grössten Emittenten von Anleihen auf dem Schweizer Markt. Dies zeigt, dass Investoren den Finanzinstrumenten von Sulzer starkes Interesse entgegenbringen.

Änderungen im Verwaltungsrat und in der Konzernleitung

Im Laufe des Jahres gaben wir zwei Änderungen in der Konzernleitung bekannt. Jill Lee, die sieben Jahre lang Mitglied des Verwaltungsrats und zuletzt Vorsitzende des Prüfungsausschusses von Sulzer gewesen war, wechselte per 5. April 2018 als Chief Financial Officer in die Konzernleitung. Sie hatte sich nicht zur Wiederwahl in den Verwaltungsrat von Sulzer gestellt.

Frédéric Lalanne, unser ehemaliger Chief Commercial and Marketing Officer, wurde Ende des Jahres zum Leiter der Division Pumps Equipment ernannt. Er folgte auf Michael Streicher, der die Verantwortung für unser Wassergeschäft übernahm und nun an Frédéric Lalanne berichtet. Sulzer senkte die Anzahl der Konzernleitungsmitglieder damit auf sechs Personen.

An der Generalversammlung vom 4. April 2018 wurden mit Hanne Birgitte Breinbjerg Sørensen und Lukas Braunschweiler zwei neue Mitglieder in den Verwaltungsrat gewählt. Sie lösten Jill Lee und unser längst gedientes Verwaltungsratsmitglied Thomas Glanzmann ab, nachdem diese sich nicht zur Wiederwahl gestellt hatten.

Renova reduzierte seine Vertretung im Verwaltungsrat per 28. Mai 2018 und stellt nach dem Rücktritt von Axel Heitmann nur mehr zwei Mitglieder. Die Position von Axel Heitmann wurde nicht neu besetzt, sodass der Verwaltungsrat von Sulzer aktuell sieben Mitglieder zählt.

Ausblick für 2019

Sulzer geht davon aus, dass sich die positive Dynamik im Marktsegment Öl und Gas 2019 fortsetzen wird. Die anderen Märkte dürften – mit Ausnahme des Energiemarktes – ebenfalls wachsen. Unsere Frühindikatoren zeigen keine Anzeichen einer drohenden Konjunkturabschwächung in unseren Hauptmärkten. Daher erwarten wir, dass sich der bisherige Trend zu organischem Wachstum und verbesserter Profitabilität fortsetzen wird.

Bereinigt um Währungseffekte dürften für das Gesamtjahr 2019 der Bestellungseingang organisch um 2% bis 5% und der Umsatz organisch um 3% bis 5% steigen. Sulzer geht davon aus, dass eine opEBITA-Marge (opEBITA in Prozent des Umsatzes) von rund 10% erreicht werden wird.

Freundliche Grüsse

Peter Löscher
Verwaltungsratspräsident

Greg Poux-Guillaume
CEO

Erfahren Sie, welche Rolle die Materialien der Zukunft schon heute bei Sulzer spielen:

- Hochmoderne Materialien für Laufräder
- Besserer Stahl für die Zukunft
- Modernste Technologie für Biokunststoff
- Faltbare Kartuschen reduzieren Abfall und Kosten

Unser Unternehmen

Das Kerngeschäft von Sulzer umfasst Flow Control und Applikatoren. Wir sind auf Pumpen, Services für rotierende Maschinen sowie auf Trenn-, Misch- und Applikationstechnologien spezialisiert. Unsere Kunden können sich auf ein Netz von über 180 Produktions- und Servicestandorten in rund 50 Ländern auf der ganzen Welt verlassen.

Pumps Equipment

Pumpentechnologie und -lösungen

Wir bieten ein breites Spektrum an Pumpenlösungen, Kompressoren und Mischern einschliesslich Ersatzteilen und Service. Die Kunden profitieren dabei von umfassender Forschung und Entwicklung und können die modernsten Branchenstandards und Technologien einsetzen. Wir liefern hocheffiziente Produkte, die dazu beitragen, Emissionen und Energieverbrauch zu senken. Unsere modernen Fertigungs- und Testanlagen weltweit gewährleisten eine äusserst effektive Lieferkette und höchste Qualität.

Unser Fokus:

- Förderung, Transport und Verarbeitung von Rohöl und seinen Derivaten
- Wasserversorgung, -aufbereitung und -transport sowie Abwasserreinigung
- Energieerzeugung mit fossilen Brennstoffen, Kernenergie und erneuerbaren Energien
- bestimmte Industriebereiche wie Papier und Zellstoff, Bergbau, Metalle, Düngemittel, Nahrungsmittel und chemische Prozesse

Rotating Equipment Services

Servicelösungen für rotierende Maschinen

Wir bieten technologiebasierte Servicelösungen für die Wartung komplexer rotierender Maschinen, darunter Gas- und Dampfturbinen, Pumpen, Kompressoren, Motoren, Generatoren, sowie für anderes Equipment von Sulzer oder Drittanbietern. Mit unseren Services verbessern wir die Leistung der Kundenanlagen. Unsere schnelle, sichere und passgenau auf die Kundenbedürfnisse zugeschnittene Abwicklung gewährleistet höchste Kosteneffizienz während des gesamten Lebenszyklus eines Projekts. Dank unseres weltweiten Netzwerks von Servicezentren verfügen wir lokal jederzeit und überall über die erforderliche globale Expertise. Zu unseren Leistungen zählen Wartung, Reparatur, Ersatzteilbeschaffung, Vor-Ort-Services, Verlängerung der Lebensdauer, Retrofits und Upgrades.

Unser Fokus:

- Öl und Gas, Energie, Transport, Bergbau, Wasser sowie Schwer- und Prozessindustrie
- Gas- und Dampfturbinen, Kompressoren, Heissgasexpander usw.
- Generatoren und Elektromotoren
- Pumpen

Chemtech

Trenn- und Mischtechnologie und damit verbundene Services

Wir bieten Trenn- und Mischtechnologie, Prozesslösungen sowie Vor-Ort-Services für die Öl- und Gasindustrie, die kohlenwasserstoffverarbeitende Industrie und die chemische Prozessindustrie. Unsere fortschrittlichen und wirtschaftlichen Lösungen setzen neue Massstäbe auf dem Gebiet des Stoffaustausches und des statischen Mischens. Unsere Produktpalette reicht von Prozesskomponenten bis zu kompletten Trennprozessanlagen und Applikationstechnologien. Wir sind Marktführer in der Bereitstellung von Monomer- und Polymerproduktionstechnologien für Polymilchsäure (PLA) und die Devolatilisierung (Entgasung) zur wirksamen Entfernung von Reststoffen. Unser Kunden-Support bietet technische Services für Trenn- und Reaktionstechnologien sowie Trennkolonnen-Services, Installation von Trennböden und Packungen, Wartung von Trennkolonnen, automatisiertes Auftragsschweissen und Anlagenerneuerung.

Unser Fokus:

- hocheffiziente Kolonneneinbauten und Separatoren
- Verfahrenstechnik und Skid-Lösungen (transportable Anlagen)
- Services für Trennkolonnen und statische Anlagen

Applicator Systems

Systeme für das Applizieren von Flüssigkeiten

Wir bieten Produkte und Services für das Applizieren und Mischen von Flüssigkeiten. Unsere Kunden profitieren von raffinierten Lösungen auf den Gebieten der präzisen Applikation sowie der Misch- und Austragssysteme für ein und zwei Komponenten. Dank unseres globalen Netzwerks verfügen wir über lokale Kenntnisse und Kompetenzen.

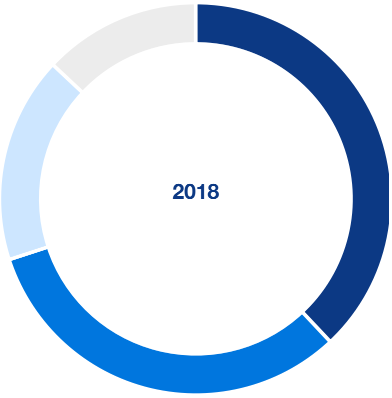
Unser Fokus:

- Misch- und Austragssysteme für Klebstoff- und Dentalmärkte
- präzise Applikationssysteme für flüssige Farbkosmetika, Schönheits- und Pflege-Accessoires
- Applikationssysteme für Ein- und Zwei-Komponenten-Anwendungen für den Gesundheitssektor und die Medizintechnik

Unsere Kennzahlen

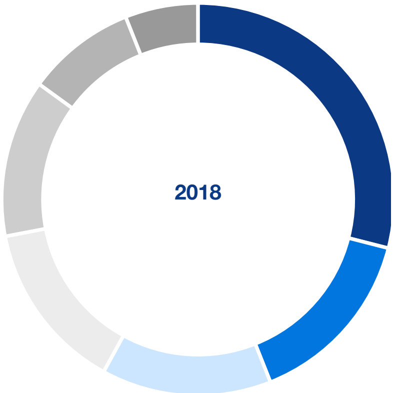
Im Jahr 2018 nahm der Bestellungseingang um 12.5% auf währungsbereinigter und um 8.4% auf organischer Basis zu. Der Umsatz stieg um 11.9% und organisch um 7.8%. Das operative EBITA erhöhte sich um 26.7% und die operative EBITA-Marge stieg auf 9.5%.

Umsatz nach Divisionen



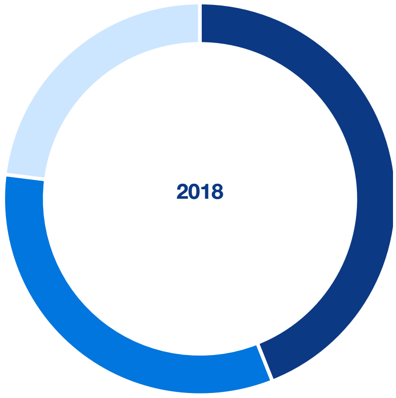
- **38%** Pumps Equipment
- **32%** Rotating Equipment Services
- **17%** Chemtech
- **13%** Applicator Systems

Umsatz nach (Sub-)Segmenten



- **29%** Midstream und Downstream
- **15%** Allgemeine Industrie
- **14%** Energie
- **14%** Wasser
- **13%** Märkte von Applicator Systems
- **9%** Upstream
- **6%** Chemische Prozessindustrie

Umsatz nach Regionen



- **44%** Europa, Naher Osten, Afrika
- **33%** Nord-, Mittel- und Südamerika
- **23%** Asien-Pazifik

Kennzahlen

in Mio. CHF	2018 (neue Rechnungslegungsgrundsätze)[1]	2018 (bisherige Rechnungslegungsgrundsätze)[2]	2017	Veränderung in +/–%[3]	+/–% bereinigt[4]	+/–% organisch[5]
Bestellungseingang	3'531.5	3'531.5	3'155.7	11.9	12.5	8.4
Bruttomarge des Bestellungseingangs	33.3%	33.3%	34.4%			
Auftragsbestand am 31. Dezember	1'786.9	1'666.9	1'593.5	4.6		
Umsatz	3'364.9	3'404.5	3'049.0	11.7	11.9	7.8
EBIT	183.8	183.6	136.5	34.5		
opEBITA	322.5	322.2	255.4	26.1	26.7	18.1
opROSA	9.6%	9.5%	8.4%			
opROCEA	18.1%	17.8%	15.8%			
Nettogewinn, den Aktionären der Sulzer AG zustehend	113.7	113.0	83.2	35.8		
Unverwässerter Gewinn je Aktie	3.56	3.54	2.44	45.1		
Free Cash Flow	173.9	173.9	127.0	37.0		
Nettoliquidität	–239.0	–239.0	–225.0			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	15'572	15'572	14'732	5.7		

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.
2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.
3) Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.
4) Bereinigt um Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.
5) Bereinigt um Akquisitions- und Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

Angaben je Aktie

CHF	2018	2017	2016	2015	2014
Nettogewinn, einem Aktionär der Sulzer AG zustehend	3.56	2.44	1.73	2.17	8.09
Veränderung zum Vorjahr	46%	41%	–20%	–73%	17%
Eigenkapital, einem Aktionär der Sulzer AG zustehend	48.00	49.40	46.40	65.30	71.60
Ordentliche Dividende	3.50[1]	3.50	3.50	3.50	3.50
Sonderdividende	–	–	–	14.60	–
Payout ratio	98%	143%	202%	161%	43%
Durchschnittliche Anzahl ausstehender Aktien	31'934'459	34'084'133	34'102'610	34'035'862	34'007'309

1) Vorschlag an die Generalversammlung.

Börseninformationen

	2018	2017	2016	2015	2014
Namenaktie (in CHF)					
– höchst	137.50	129.90	107.80	120.10	143.90
– tiefst	76.30	102.30	75.55	88.55	94.95
– Jahresende	78.05	118.20	105.00	94.35	106.00
Börsenkapitalisierung per 31. Dezember					
– Anzahl ausstehender Aktien	33’950’499	34’043’093	34’084’909	34’075’179	34’007’430
– in Mio. CHF	2’650	4’024	3’579	3’215	3’605
– in Prozent des Eigenkapitals	163%	240%	226%	145%	148%
Kurs-Gewinn-Verhältnis per 31. Dezember	21.9x	48.4x	60.6x	43.5x	13.1x
Dividendenrendite per 31. Dezember	4.5%	3.0%	3.3%	3.7%	3.3%

Aktionärsstruktur am 31. Dezember 2018

Anzahl Aktien	**Anzahl Aktionäre**	**Anteil**
1–100	4’046	0.6%
101–1’000	4’219	3.8%
1’001–10’000	460	3.6%
10’001–100’000	105	8.7%
Über 100’000	19	60.2%
Total registrierte Aktionäre und Aktien (ohne eigene Aktien Sulzer AG)	**8’849**	**77.0%**

Hochmoderne Materialien für Laufräder

Wohin geht die Entwicklung von Materialien und Prozesstechnologien für Pumpenlaufräder? Die Experten für Werkstoff- und Prozesstechnologien von Sulzer sind auf gutem Wege, die Betriebssicherheit und Lebensdauer von Pumpen mit neuen Materialien zu verbessern.

Exploration und Förderung in Offshore-Gebieten zwingt die Öl- und Gasindustrie dazu, die Grenzen des Machbaren immer wieder zu überschreiten. In grossen Wassertiefen kommen immer mehr Wasserinjektionspumpen zum Einsatz. Die aus grossen Tiefen hochgepumpten Flüssigkeiten haben eine höhere Temperatur und enthalten mehr korrosionsfördernde Substanzen als die Vorkommen in flachen Gewässern.

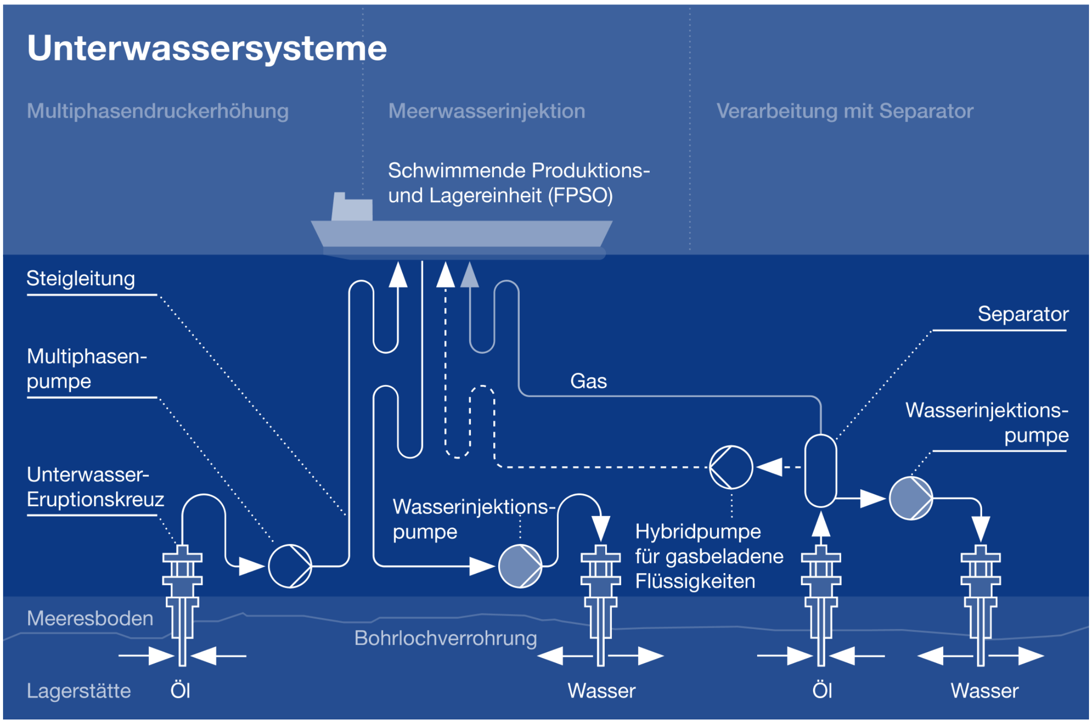
Je tiefer die Vorkommen, desto höher der benötigte Betriebsdruck. Die Pumpe muss einen Druck von 1’000 Bar (100 MPa) aushalten können. Dies entspricht einer Last von rund 1’000 Kilogramm pro Quadratzentimeter (14’500 Pfund/Quadratzoll). Zudem läuft die Pumpe Tag und Nacht mit 6’000 Umdrehungen pro Minute (U/min), wodurch das Laufrad jährlich Milliarden von Lastzyklen auszuhalten hat.

Bessere Korrosionsbeständigkeit und Stabilität

Die Verwendung geeigneter Materialien ist für die dauerhafte und zuverlässige Leistung einer Pumpe von entscheidender Bedeutung.

In der Regel wird für Hochdruck-Wasserinjektionspumpen Superduplex-Edelstahl verwendet. Doch bei 1’000 Bar stösst auch dieses Material an seine mechanischen Grenzen.

Daher ist ein Material gefragt, das fester ist als gegossener Superduplex-Edelstahl und mindestens dieselbe oder eine noch bessere Korrosionsbeständigkeit aufweist. Keine einfache Aufgabe, zumal Materialfestigkeit und Korrosionsbeständigkeit normalerweise gegensätzliche Eigenschaften sind. Zudem wirken sich bessere mechanische Eigenschaften und bessere Korrosionsbeständigkeit meist auf die Fertigungsmethode aus und steigern die Herstellungskosten enorm.



Evaluation neuer Materialien

Sulzer will der künftigen Nachfrage nach Hochleistungspumpen gerecht werden. Unsere Materialexperten evaluieren und testen dazu laufend neue Materialien und Prozesstechnologien.

Nach der Prüfung einer grossen Bandbreite von neuen Werkstoffen zur Herstellung von Laufrädern fiel die Wahl der Spezialisten auf eine nickelbasierte Legierung als die vielversprechendste Variante.

Darüber hinaus wurde auch der Herstellungsprozess der Laufräder eingehend analysiert. Um die Vorlaufzeiten möglichst kurz zu halten, favorisierten die Experten auf Rapid Casting basierende Fertigungsprozesse.

Die enormen Verbesserungen, die wir mit neuen Materialien und Prozessen für unsere Kunden erzielen können, faszinieren mich jeden Tag aufs Neue.

Frédéric Lalanne Divisionsleiter Pumps Equipment

Verschiedene Herstellverfahren im Test

Die Ingenieure von Sulzer unterzogen unterschiedliche Verfahren einem Vergleichstest. Einer der wichtigsten Faktoren für eine einwandfreie Materialqualität ist die Replizierbarkeit. Für Laufräder für Wasserinjektionspumpen bevorzugte das Expertenteam schliesslich das Feingussverfahren.

Nach dem Guss wird das Material heissisostatischem Pressen (HIP) ausgesetzt. Bei diesem Vorgang werden sämtliche inneren Poren, die beim Guss entstehen, verschlossen. HIP verdichtet das Material. Dabei wird es ermüdungsresistenter. In einem letzten Schritt erfolgt noch eine spezielle Hitzebehandlung, um die mechanischen Materialeigenschaften weiter zu verbessern.

Vielversprechende Testergebnisse

Die mit der neuen nickelbasierten Legierung und dem neuen Herstellungsprozess erzielten Testergebnisse sind vielversprechend. Weil das Material derzeit in keinem internationalen Materialstandard aufgeführt wird, müssen die Teams neben den Standardtests eine umfassende Materialbeschreibung vorlegen.

Die Testphase wird voraussichtlich bald abgeschlossen sein. Anschliessend wird Sulzer diesen Prozess zur Herstellung von Laufrädern für Wasserinjektionspumpen weltweit einführen. Wieder einmal haben wir gezeigt, dass mit neuen Materialien und Herstellungsverfahren Grenzen überwunden werden können.

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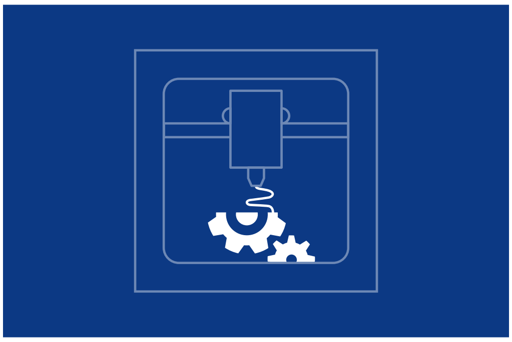
Neue Materialien für die additive Fertigung



Sulzer setzt für die Produktion von Pumpenteilen auf neue Materialien und additive Fertigungstechnologien.

Neue Werkstoffe lassen sich mit herkömmlichen Gussverfahren, aber auch mit additiven Fertigungstechnologien (AM) verarbeiten. Sie ermöglichen die Fertigung von Komponenten höchster Qualität bei kurzen Vorlaufzeiten. Zudem weisen die Teile bessere mechanische Eigenschaften auf, und dem Design sind keine Grenzen gesetzt. Die additive Fertigungstechnologie erweitert das Einsatzspektrum unserer Pumpen. Davon profitieren auch unsere Kunden.

Besserer Stahl für die Zukunft

Ingenieure von Sulzer haben eine neue Methode für die Reparatur von Dampfturbinen geothermischer Kraftwerke entwickelt. Eine verbesserte Schweisstechnologie, die nicht rostenden Edelstahl mit einem Chromgehalt von 12% verwendet, verlängert die Lebensdauer von Rotoren, die unter extremen Bedingungen laufen.

Einem Bericht der Internationalen Organisation für erneuerbare Energien zufolge entfielen im Jahr 2017 knapp zwei Drittel des weltweiten Wachstums der Produktionskapazität für erneuerbare Energie auf die asiatischen Länder. Eine wichtige Quelle erneuerbarer Energie ist die Erdwärme in Form von heissem Dampf aus dem Erdinnern. Vier der zehn grössten geothermischen Kraftwerke der Welt befinden sich in Asien (Indonesien und Philippinen).

In Kraftwerken wird die im Dampf gespeicherte Energie mittels Dampfturbinen in mechanische Energie umgewandelt. Mit dieser Energie wird ein Generator angetrieben, der den Strom erzeugt, der dann über Stromleitungen in die Wohnhäuser und Fabriken gelangt.

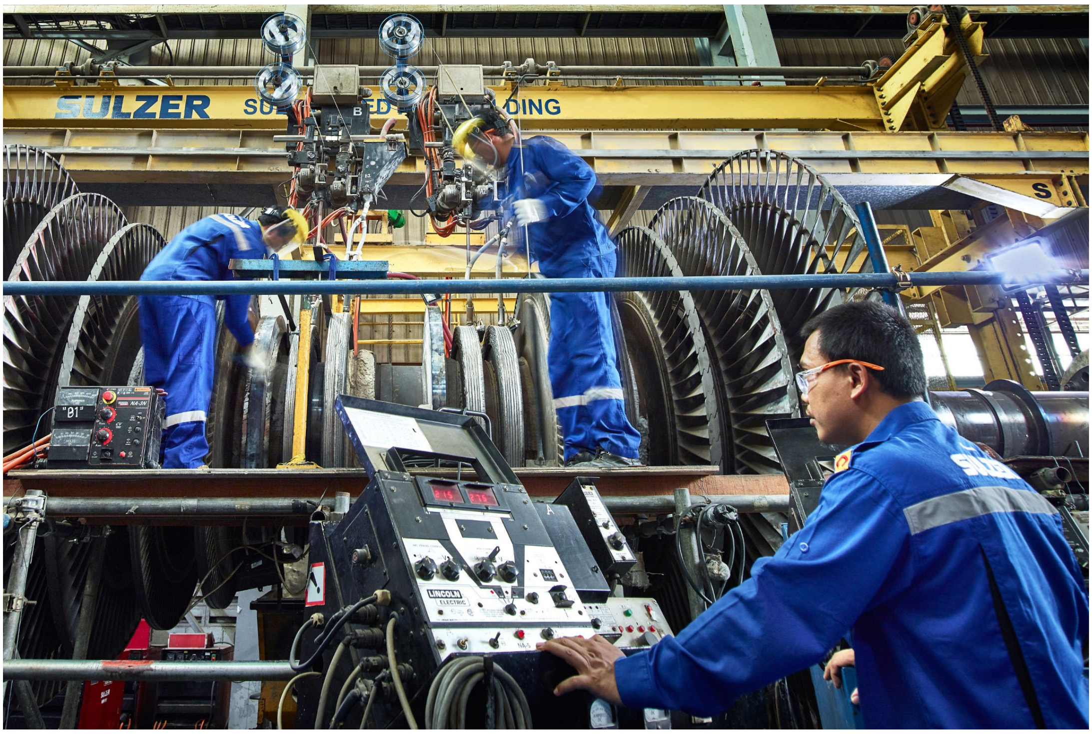
Innovation im Servicegeschäft ist Teil unserer DNA. Wir verbessern unsere Reparaturverfahren und Reaktionszeiten laufend, um die Betriebskosten für unsere Kunden niedrig zu halten.

Daniel Bischofberger Divisionsleiter Rotating Equipment Services

Schäden durch Korrosion

Dampfturbinen sind extrem hohen Temperaturen und sehr hohem Druck ausgesetzt. Darüber hinaus enthält der Dampf, den die Turbinen nutzen, stark korrosive Partikel. Da es sich um einen natürlichen Prozess handelt, ist deren Menge variabel und unvorhersehbar. Die Betriebspraxis hat gezeigt, dass mit der Zeit erhebliche Korrosions- und Erosionsschäden entstehen können. Die dem Dampf ausgesetzten Bereiche werden regelrecht „ausgewaschen“.

Die Rotoren dieser Dampfturbinen bestehen aus verschiedenen speziell entwickelten Stählen, die ihre Festigkeit während ihrer langen operativen Lebensdauer von 25 oder gar 30 Jahren behalten und dabei möglichst korrosionsbeständig bleiben.



Reparieren statt ersetzen

Die rasche Reparatur von kritischen rotierenden Bauteilen gehört zu den Hauptaktivitäten der Division Rotating Equipment Services von Sulzer. Originalhersteller (OEM) empfehlen ihren Kunden bei Schäden oft, den Rotor zu ersetzen, was sehr kostspielig ist. Ein indonesisches Sulzer-Team erkannte hier eine Marktlücke, indem es den Kunden vorschlug, die Rotoren zu reparieren.

Bei einer solchen Reparatur wird zunächst das beschädigte Material abgetragen und anschliessend ein Block neues Material aufgeschweisst. Zuletzt wird die Geometrie des reparierten Rotors wiederhergestellt. Dieses Vorgehen ist unter Umständen erheblich schneller als die Bestellung eines Ersatzteils, da die lange Vorlaufzeit, etwa für das Schmieden, entfällt. Letztlich profitieren sowohl der Kunde als auch Sulzer von niedrigeren Kosten.

Zusammenarbeit für mehr Widerstandsfähigkeit

Die Idee entstand 2013 bei Sulzer in Indonesien. Ein philippinischer Kunde erkundigte sich nach der Reparatur einer geothermischen Dampfturbine, bei der Risse und erste Anzeichen von Spannungskorrosion festgestellt worden waren.

Das Sulzer-Team hatte zu der Zeit einige Bedenken hinsichtlich des verwendeten Schweissmaterials. Ein niedriglegierter Schweissdraht für Turbinenrotoren hat in der Regel einen hohen Nickelgehalt und ist daher unter widrigen Bedingungen anfällig für die Bildung von Korrosionsrissen. Das Team in Indonesien beriet sich mit Sulzer-Experten in den USA und entschied sich für einen Chromstahl-Schweissdraht mit einem 12-prozentigen Chromanteil (12Cr).

Längere Lebensdauer der Rotoren

Schweissen mit 12Cr führt zu einem besseren Korrosionsschutz als mit ähnlichen Legierungen, die von verschiedenen Rotorlieferanten entwickelt wurden, besonders unter den harschen Betriebsbedingungen, die der aus den Felsen extrahierte geothermische Dampf verursacht. In manchen Fällen weisen Rotoren nach einer Reparatur mit 12Cr-Schweissung eine längere Lebensdauer auf als solche mit Originalmaterial.

Die Konzernleitung von Sulzer honorierte diesen innovativen Ansatz und die beispielhafte Zusammenarbeit der beiden Teams über Kontinente hinweg 2018 mit dem „Sulzer Innovation Award“.

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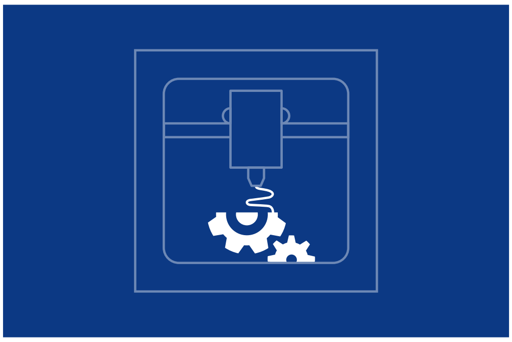

Neue Wege zur schnellen Lieferung

Die Division Rotating Equipment Services von Sulzer entwickelt laufend neue Ansätze, um die Vorlaufzeit zu verkürzen und die Qualität der ausgelieferten Komponenten zu verbessern.

„Rapid Casting“, ein Verfahren, bei dem die Gussformen im Druckverfahren hergestellt werden, macht die Lieferkette flexibler. Ein weiterer Vorteil dieses Verfahrens ist, dass die Fertigung näher beim Kunden erfolgen kann. Die Division setzt diese Technologie im Rahmen ihrer Servicelösungen für Pumpen in immer mehr Regionen ein.

Modernste Technologie für Biokunststoff

Herkömmliche Kunststoffe sind in der Regel biologisch nicht abbaubar. Auf der Basis von Polymilchsäure (PLA) lässt sich jedoch eine nachhaltige, biologisch abbaubare Alternative zu Polyester und Co herstellen. Sulzer hat das Prozess-Know-how und die Ausrüstung zur Herstellung von PLA.

Herkömmliche Kunststoffe werden, wenn überhaupt, nur über einen sehr langen Zeitraum biologisch vollständig abgebaut. Die Mikroorganismen sind nicht in der Lage, die Materialien in organische Bestandteile zu zerlegen, die für lebende Organismen verwertbar sind. So dauert es sage und schreibe 450 Jahre, bis sich eine Plastikflasche zersetzt hat. PET-Flaschen können überhaupt nicht abgebaut werden.

Eine nachhaltige Alternative zu Kunststoffen auf Ölbasis

Es gibt bereits nachhaltige Alternativen zu herkömmlichen Kunststoffen. Eine davon ist Polymilchsäure (Polyactid Acid; PLA), auf deren Grundlage sich Kunststoffe herstellen lassen, die biologisch vollständig abbaubar und somit rezyklierbar sind.

Mithilfe unserer Technologie errichtete einer der beiden führenden Hersteller von Biokunststoffen eine grosse PLA-Produktionsanlage mit einer Jahreskapazität von 75’000 Tonnen. Mit diesem technologischen Know-how unterstützt Sulzer nicht nur die Kunden bei der Herstellung von qualitativ hochwertigen Biokunststofflösungen, sondern leistet auch einen wichtigen Beitrag zu einer grüneren Zukunft.

Torsten Wintergerste Divisionsleiter Chemtech

Das Basismaterial der PLA-Produktion ist Glukose oder Zucker aus Rohstoffen der ersten Generation wie Mais, Getreide, Rohrzucker oder Zuckerrüben.

PLA ist das vielversprechendste Biopolymer auf Basis von erneuerbaren Rohstoffen und ersetzt immer häufiger konventionelle Polymere, die aus fossilen Rohstoffen erzeugt werden. Die weltweite Produktionskapazität dürfte von heute jährlich 0.3 Millionen Tonnen auf eine Million Tonnen in den nächsten fünf Jahren wachsen.

Breites Einsatzspektrum

Sulzer spielt seit nunmehr über 25 Jahren eine führende Rolle bei der Optimierung des PLA-Herstellungsprozesses. Die so produzierten Biokunststoffe verfügen über mechanische und thermische Eigenschaften, die mit denjenigen traditioneller erdölbasierter Kunststoffe vergleichbar oder gar besser als sie sind.

PLA-Biokunststoffe dienen als Ausgangsmaterial für die Herstellung von Verpackungen (z. B. Flaschen, Taschen), Textilien, Komponenten für die Automobilindustrie, Elektronikgeräten, medizinischen Geräten und Implantaten sowie für den 3D-Druck.

Die ganze PLA-Prozesskette aus einer Hand

Sulzer liefert für die PLA-Herstellung benötigte Schlüsselkomponenten. Zudem entwickelt und installiert das Unternehmen Apparate und integrierte modulare Lösungen für die einzelnen Polymerisationsschritte.

Sulzer-Spezialisten beaufsichtigen vor Ort beim Kunden die Montage, Einrichtung und Inbetriebnahme der Anlage und bieten Unterstützung.

PLAnet™ fördert nachhaltige Biokunststoffe

Seit 2018 arbeiten Futerro, Sulzer und TechnipFMC zusammen mit dem Ziel, die Herstellung von Biokunststoffen zu vereinfachen. Die drei Spezialisten für Prozess- und Anlagentechnologie riefen die PLAnet™-Initiative ins Leben.

Diese strategische Zusammenarbeit ermöglicht es Investoren an beiden Enden der Zucker-zu-PLA-Wertschöpfungskette, im Biokunststoffmarkt Fuss zu fassen. PLAnet™ bietet den Kunden alle Services und Lösungen unter einem Dach an und fungiert dabei als zentraler Ansprechpartner.

Abbau in unterschiedlichem Tempo

Ein wichtiger Vorteil der Sulzer-Technologie ist, dass die Eigenschaften des Polymers leicht angepasst werden können, ohne die Anlage wechseln zu müssen.

Diese Flexibilität ist wichtig, da die Einstellungen die Geschwindigkeit, mit der ein Produkt auf PLA-Basis biologisch abgebaut wird, beeinflussen. So müssen Einweganwendungen wie Lebensmittelverpackungen biologisch einfach abbaubar sein, während Elektronikkomponenten eine längere Lebensdauer haben müssen.

Die wichtigsten Faktoren für eine gute Polymerisation sind eine kontrollierte und konstante Prozesstemperatur sowie eine gründliche Durchmischung des zugeführten Materials. Die Produktpalette von Sulzer umfasst spezielle Mischreaktoren (SMR) für das kombinierte Mischen und Kühlen.

Eine neue Generation von Rohstoffen

Rohstoffbasierte Materialien (Rohstoffe der ersten Generation) eignen sich gut für die PLA-Produktion. Allerdings wird für den Anbau der Rohstoffe Agrarland benötigt, welches auch der Nahrungsmittelproduktion dienen könnte. Daher arbeitet die Forschung an einer neuen Generation von Rohstoffen. Eine Möglichkeit bieten Materialien aus Rohstoffen der zweiten Generation, also Rohstoffen, die aus landwirtschaftlichen Restprodukten bestehen, die nicht der Lebensmittelproduktion dienen.

Sulzer betreibt ein eigenes, modern ausgestattetes Labor in Winterthur, Schweiz, und kann die Kunden bei der Durchführung von Tests und Versuchen unterstützen. Die Testergebnisse werden skaliert und für den Produktionsprozess in grossen Anlagen hochgerechnet.

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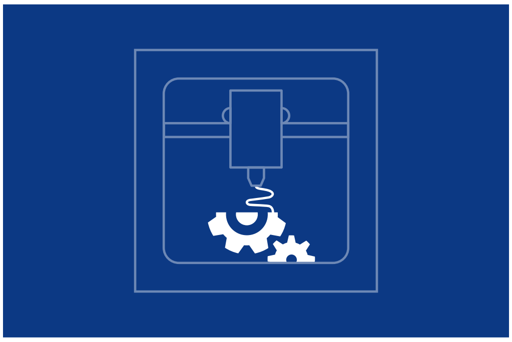
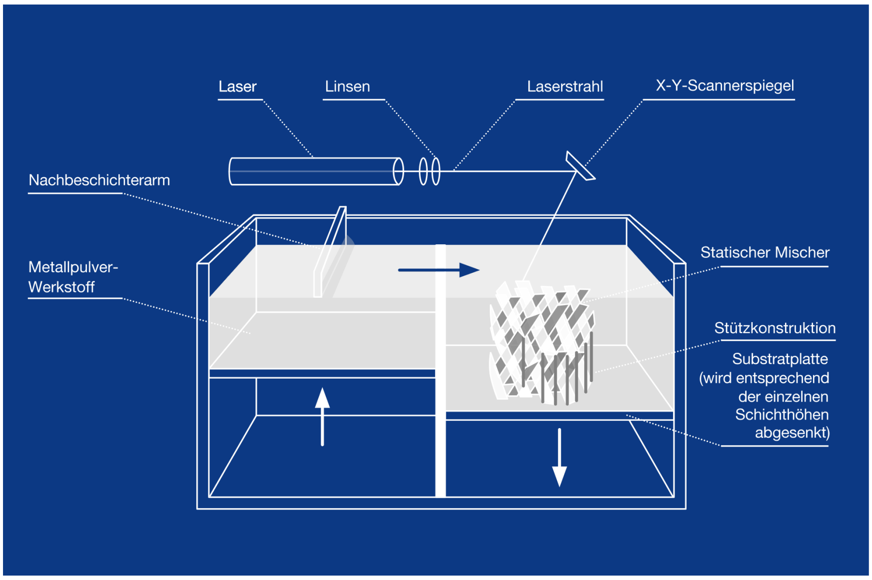
Kurze Vorlaufzeiten dank additiver Fertigung

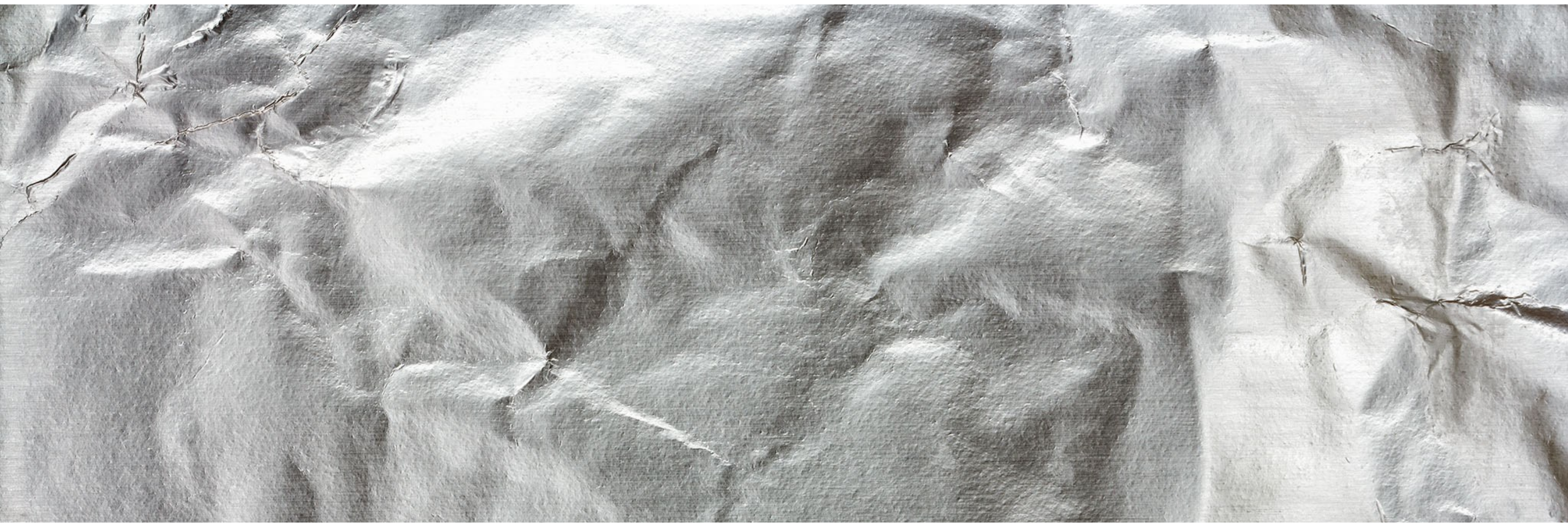


Sulzer verwendet eine Reihe von Materialien für Kolonnenpackungen, darunter Metalle, Polymere und Verbundwerkstoffe. Wir entwickeln und verwenden additive Fertigungstechnologien für spezifische Anwendungsfälle wie auch für die verschiedenen von uns eingesetzten Materialien.

So kommen additive Fertigungstechnologien – konkret SLM (Selective Laser Melting) – für die Herstellung kleinformatiger statischer Mischer zum Einsatz. Durch selektives Schmelzen von Metallpulver auf einer Grundplatte wird das Produkt Schicht um Schicht aufgebaut. Heute werden additive Fertigungstechnologien hauptsächlich für die Herstellung von Prototypen, Halterungsteilen sowie Teilen und Werkzeugen in kleinen Serien eingesetzt. Dank der additiven Herstellung verkürzen sich die Vorlaufzeiten, insbesondere für kleinere Produktionsvolumen.



Beispiel für additive Fertigung: selektives Laserschmelzen (SLM)



Faltbare Kartuschen reduzieren Abfall und Kosten

Bei der Arbeit mit Klebstoffen fällt Abfall an. Die Division Applicator Systems von Sulzer hat ein Verpackungssystem entwickelt, dessen Entsorgung nicht nur weniger Abfall produziert, sondern auch die Gesamtsystemkosten für den Kunden senkt: die faltbare Kartusche ecopaCC™.

Klebstoffe sind eine unsichtbare Befestigungstechnologie und Teil unseres täglichen Lebens. Sie kommen bei zahllosen industriellen Anwendungen zum Einsatz und bieten eine Reihe von Vorteilen, wie zum Beispiel gleichzeitiges Verkleben und Abdichten unterschiedlichster Werkstoffe. Mechanische Befestigungssysteme können das nicht. So werden Klebstoffe unter anderem im Hoch- und Tiefbau verwendet, für die Fixierung von Windschutzscheiben in Autos oder für Dichtungsfugen in Badezimmern.

Weniger Abfall mit innovativen Lösungen

Klebstoffe, die mithilfe von Kartuschen aufgetragen werden, verursachen Abfälle. Die Entsorgung von Reststoffen, der Transport und die Lagerung treiben die Kosten in die Höhe.

Nationale und internationale Regulierungen werden zusehends strenger. So wird der exzessive Gebrauch von festen Kunststoffverpackungen im US-Bundesstaat Kalifornien mittlerweile gebüsst. Die EU steht kurz davor, neue Richtlinien zur Vermeidung von Kunststoffabfällen zu erlassen. Und auch die japanische Regierung hat die Diskussion über das Problem der Kunststoffabfälle angestossen.

Funktionelles Auftragssystem der nächsten Generation

Sulzer weiss um die künftigen ökologischen Herausforderungen. Deshalb hat die Division Applicator Systems die nächste Generation von Auftragssystemen für Klebstoffe entwickelt: die faltbare Kartusche ecopaCC™. Die faltbare Kartusche besteht aus Hightech-Mehrschichtfolien für verschiedene Chemikalien und bietet den Kunden Kostensenkungen entlang der gesamten Wertschöpfungskette.

Unsere umweltfreundliche Alternative zu herkömmlichen Auftragssystemen bringt den Kunden Kosteneinsparungen entlang der ganzen Wertschöpfungskette.

Amaury de Menthiere Divisionsleiter Applicator Systems

Konventionelle Kartuschen werden entsorgt, sobald sie leer sind. Bei einer leeren ecopaCC™-Kartusche verbleibt nur sehr wenig Restmaterial zur Entsorgung, nämlich die zusammengefaltete Folie und das kleine Auslassstück. Ausserdem – und dies ist ein zentraler Punkt des ökologischen Konzepts – kann die Stützhülle der Kartusche wiederverwendet werden.

Signifikante Kosteneinsparung

Mit Verwendung der ecopaCC™-Kartusche erzielen die Kunden bedeutende Einsparungen. Beispielsweise sinken dank der vorgefalteten 600-ml-Kartusche die Transport- und Lagerkosten um bis zu 85%, da bis zu siebenmal mehr Kartuschen auf einer Europalette Platz finden. Und sobald die Kartusche das Ende ihrer Lebensdauer erreicht hat, entstehen den Kunden 75% weniger Entsorgungskosten.

Das neue Austragssystem erfüllt die höchsten Qualitätserwartungen der Kunden. Die Spritzgusstechnologie gewährleistet eine absolut dichte Verbindung zwischen Folie und Austragungsteil. Zudem ist das System kompatibel mit unseren Austragslösungen und statischen Mischern.

Umweltfreundlich und bereit für die Zertifizierung

Sulzer hat für das neue Produkt die Zertifizierung mit dem angesehenen EU Ecolabel beantragt. Das EU Ecolabel kennzeichnet mittlerweile mehr als 54’000 Produkte und Dienstleistungen und ist weithin anerkannt. Es ist den Kunden ein zuverlässiger und wirksamer Indikator für Umweltfreundlichkeit und höchste Qualität.

Das EU Ecolabel eröffnet ausserdem neue Geschäftsmöglichkeiten. B2B-Unternehmen stehen unter zunehmendem Druck, mit Herstellern zusammenzuarbeiten, deren Produkte Ecolabel nach ISO-Standards tragen, um die hohen Anforderungen der Kunden an die Lieferkette zu erfüllen.

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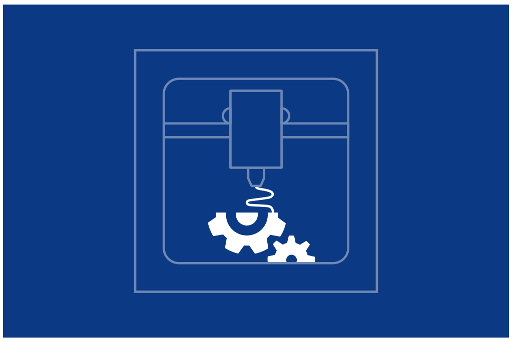
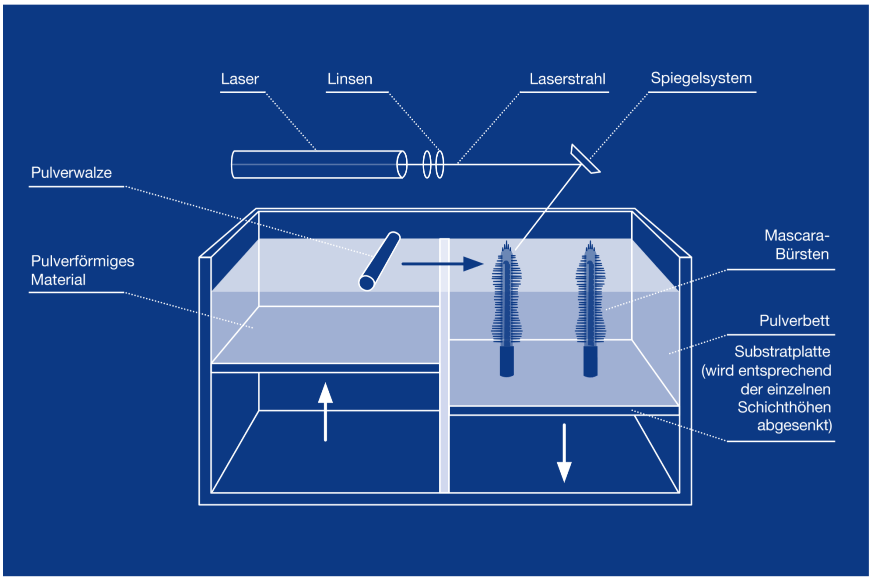
Mit additiven Herstellungsverfahren schnellere Prototypentwicklung



Bei der Lancierung neuer Produkte wollen wir den Kunden so rasch wie möglich Lösungen bereitstellen. Das additive Herstellungsverfahren bietet uns gerade bei Kleinserien die Möglichkeit zur Beschleunigung der frühen Entwicklungsphase, bevor ein teures Fertigungswerkzeug erstellt wird.

Dank additiver Fertigung konnte Sulzer den Produktentwicklungsprozess und somit die Markteinführung von Mascarabürsten beträchtlich beschleunigen. Wir sind nun in der Lage, einen Prototyp bereits nach nur einer statt 18 Wochen an den Kunden auszuliefern. Dank neuen Materials, welches mittels selektiven Lasersinterns (SLS, additive Fertigungstechnologie) aufgebracht wird, sind die einzelnen Bürsten stabil genug, um die Wimpern zu trennen, aber auch elastisch genug, um das Auge nicht zu verletzen. So kann der Kunde den Prototyp ausgiebig testen.



Funktionsprinzip des selektiven Lasersinterns, genannt SLS.

Lagebericht

Starkes Auftragswachstum und signifikante Verbesserung der Profitabilität

Der Bestellungseingang stieg organisch um 8.4% und um 12.5% einschliesslich Akquisitionen. Der Umsatz stieg organisch um 7.8% unter anderem dank eines höheren Auftragsbestands zu Beginn des Geschäftsjahres und um 11.9% unter Einschluss der Akquisitionen. Die Profitabilität konnte wegen der Einsparungen von CHF 45 Millionen aus dem Sulzer-Full-Potential-Programm (SFP-Programm) und der Akquisitionen um 1.1 Prozentpunkte auf 9.5% gesteigert werden. Der Free Cash Flow stieg bei einem verbesserten Betriebsergebnis um CHF 47 Millionen auf CHF 174 Millionen.

Sofern nicht anders angegeben, beziehen sich alle Veränderungen zum Vorjahr auf währungsbereinigte Werte ohne Berücksichtigung von IFRS 15. Es wurden dieselben Rechnungslegungsstandards wie im Vorjahr angewendet.

Starkes Auftragswachstum

Der Bestellungseingang nahm 2018 um 12.5% zu. Dieser Anstieg beruhte auf einem organischen Wachstum von 8.4% sowie einem Auftragsvolumen von CHF 129.0 Millionen aus Akquisitionen. Die Bruttomarge des Bestellungseingangs gab um 1.1 Prozentpunkte auf 33.3% nach; dies hing weitgehend mit dem höheren Anteil der Aufträge für neue Anlagen im Segment Öl und Gas und dem fortgesetzten Margendruck im Segment Energie zusammen.

Sulzer erzielte 2018 ein starkes Finanzergebnis mit einem zweistelligen Umsatzwachstum, einer signifikanten Profitabilitätssteigerung und einem robusten Free Cash Flow.

Jill Lee, Chief Financial Officer

Der Bestellungseingang in der Division Pumps Equipment nahm signifikant um 16.5% zu, wobei 8.6% organischem Wachstum und 7.9% den Akquisitionen zuzurechnen waren. Das kräftige organische Wachstum war auf die Zunahme der Bestellungen im Segment Öl und Gas zurückzuführen und wurde teilweise wieder durch weniger Bestellungen im Segment Energie aufgehoben. In der Division Rotating Equipment Services nahm der Bestellungseingang dank des organischen Wachstums von 5.8% und dank der Akquisitionen um 7.6% zu. Unterstützt wurde das organische Wachstum von einer Erholung im Öl- und Gasmarkt, während sich der Rückgang der Bestellungen im Segment Energie negativ auswirkte. Der Bestellungseingang in der Division Chemtech wuchs um 20.5% dank des organischen Wachstums in allen Regionen. In der Division Applicator Systems nahmen die Bestellungen infolge der Akquisition von Transcodent und Medmix um 4.2% zu. Auf organischer Basis blieb der Bestellungseingang unverändert. Insgesamt gesehen, erhöhte sich der Bestellungseingang von Sulzer in den Regionen Nord-, Mittel- und Südamerika, Europa, dem Nahen Osten und in Afrika, während er in der Region Asien-Pazifik stabil blieb.

Die Währungseffekte betrugen CHF –19.5 Millionen. Grund war die Schwäche des russischen Rubels, des brasilianischen Real und des argentinischen Peso, wobei dies teilweise vom stärkeren Euro wieder ausgeglichen wurde.

Per 31. Dezember 2018 betrug der Auftragsbestand CHF 1’666.9 Millionen (31. Dezember 2017: CHF 1’593.5 Millionen). Die negativen Währungseffekte beliefen sich insgesamt auf CHF 47.8 Millionen.

Bestellungen

	2018 (neue Rechnungslegungs-grundsätze)[1]	2018 (bisherige Rechnungslegungs-grundsätze)[2]	2017
Bestellungseingang	3’531.5	3’531.5	3’155.7
Bruttomarge des Bestellungseingangs	33.3%	33.3%	34.4%
Auftragsbestand am 31. Dezember	1’786.9	1’666.9	1’593.5

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.
2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

Solides organisches Wachstum und Akquisitionen resultieren in höherem Umsatz

Der Umsatz belief sich 2018 auf CHF 3’404.5 Millionen, was einer Zunahme um 11.9% entspricht. Grund für diesen Anstieg waren ein solides organisches Wachstum von 7.8%, bedingt durch den höheren Auftragsbestand zu Jahresbeginn und den kräftigen Bestellungseingang im Verlauf des Jahres sowie akquisitionsbezogene Umsätze in Höhe von CHF 126.9 Millionen. Die negativen Währungseffekte beliefen sich insgesamt auf CHF 8.3 Millionen.

Der Umsatz legte 2018 in allen Marktsegmenten zu. Der deutlichste Anstieg wurde dank des soliden organischen Wachstums und der Akquisition von JWC im Segment Wasser sowie dank des höheren Auftragsbestands zu Jahresbeginn im Segment Öl und Gas verzeichnet. Der Umsatz im Segment Energie erhöhte sich wegen der Akquisition von Rotec und Brithinee, sodass der leichte organische Rückgang ausgeglichen werden konnte. Das Segment allgemeine Industrie verzeichnete höhere Umsätze, sowohl durch organisches Wachstum als auch dank Akquisitionen.

Der Umsatz konnte in allen Regionen gesteigert werden, wobei diese Entwicklung in der Region Asien-Pazifik am ausgeprägtesten war. Der Umsatzanteil der aufstrebenden Märkte stieg 2018 auf 44% (2017: 41%).

Geringere Bruttomarge

Die Bruttomarge ging auf 28.7% zurück (2017: 30.7%). Die Bruttomarge litt unter dem Preisdruck im Öl- und Gas- sowie im Energiemarkt. Darüber hinaus beeinflusste der höhere Anteil des Umsatzes aus dem margenschwächeren Geschäft mit neuen Anlagen die Gesamtbruttomarge negativ. Infolge des höheren Umsatzes stieg der Bruttogewinn auf CHF 978.0 Millionen (2017: CHF 936.6 Millionen).

Operative Umsatzrendite auf 9.5% gesteigert

Das operative EBITA (opEBITA) belief sich auf CHF 322.2 Millionen (2017: CHF 255.4 Millionen). Dies entspricht einem Anstieg um 26.7%. Grössere Einsparungen in Höhe von CHF 45 Millionen aus dem Sulzer-Full-Potential-Programm (SFP-Programm) sowie der Beitrag der Akquisitionen vermochten die negativen Auswirkungen der Margen- und Mixbedingungen mehr als auszugleichen. Auf organischer Basis stieg das opEBITA um 18.1% gegenüber 2017.

Die Betriebskosten ohne Amortisation, Wertminderung auf Sachanlagen, Restrukturierungsaufwand sowie übrige nicht operative Positionen stiegen um 1.6%, weil die akquisitionsbezogenen Mehrkosten die Einsparungen des SFP überstiegen.

Die operative EBITA-Marge (opROSA) stieg auf 9.5%, verglichen mit 8.4% im Jahr 2017.

Operative Leistungskennzahlen

	2018 (neue Rechnungslegungs-grundsätze)[1]	2018 (bisherige Rechnungslegungs-grundsätze)[2]	2017
opROSA	9.6%	9.5%	8.4%
opROCEA	18.1%	17.8%	15.8%

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.
2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

Die Divisionen erzielten folgende Profitabilität (opROSA):

- Pumps Equipment: 3.1% (2017: –0.3%). Die Profitabilität nahm dank des starken Umsatzwachstums im Geschäft mit neuen Anlagen und im Segment Wasser zu, das organisch und aufgrund der Akquisition von JWC wuchs.
- Rotating Equipment Services: 13.7% (2017: 13.9%). Die Profitabilität ging nur leicht zurück trotz des Drucks aus dem von intensivem Wettbewerb geprägten Energiemarkt; dieser Umstand konnte weitgehend mit effizientem Kostenmanagement ausgeglichen werden.
- Chemtech: 8.7% (2017: 5.2%). Der Anstieg der Profitabilität war dem soliden Umsatzwachstum zuzuschreiben. Zudem beinhaltete der Gewinn des Vorjahres einen operativen Aufwand von CHF 10 Millionen im Zusammenhang mit einer mittlerweile nicht mehr fortgeführten Geschäftsaktivität in der Geschäftseinheit Tower Field Services. Ohne diesen Aufwand hätte 2017 die operative EBITA-Marge (opROSA) von Chemtech 7.3% betragen.
- Applicator Systems: 21.1% (2017: 20.5%). Die Profitabilität stieg aufgrund des höheren Umsatzvolumens.

Überleitung vom EBIT zum operativen EBITA

in Mio. CHF	2018 (neue Rechnungslegungs-grundsätze)[1]	2018 (bisherige Rechnungslegungs-grundsätze)[2]	2017
EBIT	**183.8**	**183.6**	**136.5**
Amortisation	69.0	69.0	53.8
Wertminderung von Sachanlagen	4.4	4.4	15.4
Restrukturierungskosten	13.1	13.1	21.7
Nicht operative Positionen[3]	52.0	52.0	28.0
opEBITA	**322.5**	**322.2**	**255.4**
opROSA	9.6%	9.5%	8.4%

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.
2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.
3) Übrige nicht operative Positionen beinhalten wesentliche akquisitionsbezogene Kosten, Gewinne und Verluste aus dem Verkauf von Geschäftsbereichen oder Immobilien (inklusive aufgelöster Rückstellungen) und bestimmte nicht operative Positionen, die nicht wiederkehrend sind oder nicht regelmässig in dieser Grössenordnung auftreten.

Nicht operative Kosten beeinflussten das Betriebsergebnis

Sulzer hat im Rahmen des SFP-Programms weitere Anstrengungen unternommen, seine globale Fertigungskapazität anzupassen und seine Organisationsstruktur zu straffen. Der Restrukturierungsaufwand wurde im Vergleich zu 2017 deutlich reduziert und war 2018 vor allem mit

Massnahmen in Brasilien, Deutschland, den USA, Frankreich, den Niederlanden und Belgien verbunden.

Die übrigen nicht operativen Positionen beliefen sich 2018 auf CHF 52.0 Millionen (2017: CHF 28.0 Millionen). Dies schloss die folgenden grösseren Positionen mit ein: Kosten im Zusammenhang mit dem SFP-Programm von CHF 28.5 Millionen (2017: CHF 26.0 Millionen), Kosten in Höhe von CHF 8.8 Millionen (2017: CHF 8.0 Millionen) im Zusammenhang mit Akquisitionen und Kosten von CHF 6.5 Millionen, die im Zusammenhang mit US-Sanktionen gegen Russland entstanden – überwiegend Aufwendungen für Rechtsberatung und für zeitweise Betriebsunterbrüche. Sulzer entstand ein Aufwand von CHF 30.1 Millionen in der Division Chemtech für eine Geschäftsaktivität in der Geschäftseinheit Tower Field Services, die ab Ende 2017 nicht mehr fortgeführt wurde. Dies wurde grösstenteils durch einen Gewinn von CHF 28.5 Millionen aus dem Verkauf nicht notierter Immobilien-Eigenkapitalinstrumente ausgeglichen, die im Zusammenhang mit erschwinglichem Wohnraum, der Mitarbeitenden von Sulzer in der Vergangenheit angeboten wurde, standen. Diese waren zuvor zu Anschaffungskosten bewertet worden.

Das EBIT erhöhte sich damit gegenüber 2017 um 36.8% von CHF 136.5 Millionen auf CHF 183.6 Millionen. Die Umsatzrendite (ROS) betrug 5.4% (2017: 4.5%).

Finanzergebnis: höherer Zinsaufwand

Der gesamte Finanzaufwand belief sich 2018 auf CHF 18.9 Millionen, verglichen mit CHF 10.8 Millionen im Vorjahr. Der Zinsaufwand erhöhte sich wegen des höheren Kreditvolumens um CHF 5.1 Millionen. Der übrige Finanzaufwand betrug CHF –1.5 Millionen, gegenüber CHF +0.3 Millionen im Vorjahr. Dies war vor allem auf negative Währungseffekte im Zusammenhang mit Neubewertungen und Änderungen des Zeitwerts zurückzuführen.

2018 verzeichnete Sulzer aus einem Joint Venture einen Gewinn von CHF 0.7 Millionen im Vergleich zu einem Verlust von CHF 0.3 Millionen im Vorjahr. Dies bezieht sich auf ein Joint Venture in China für den Service für Gasturbinen.

Geringfügig niedrigerer bereinigter Steuersatz

Der Ertragssteueraufwand erhöhte sich auf CHF 49.3 Millionen infolge eines höheren Vorsteuergewinns (2017: CHF 38.2 Millionen). Der effektive Steuersatz reduzierte sich 2018 auf 29.8% (2017: 30.5%). Bereinigt um den Effekt nicht erfasster latenter Steueransprüche, Restrukturierungsaufwendungen sowie Auswirkungen der US-Steuerreform ging die Konzernsteuerquote im Jahr 2018 auf 23.1% zurück (2017: 23.4%).

Höherer Kern-Nettogewinn

2018 lag der Nettogewinn bei CHF 116.1 Millionen, gegenüber CHF 87.2 Millionen im Vorjahr. Der Kern-Nettogewinn (ohne die steuerbereinigten Effekte durch übrige nicht operative Positionen) betrug 2018 CHF 222.7 Millionen (2017: CHF 178.3 Millionen). Der unverwässerte Gewinn pro Aktie stieg 2018 auf CHF 3.54 (2017: CHF 2.44).

Verbesserte Bilanzeffizienz

Die Bilanzsumme lag per 31. Dezember 2018 bei CHF 4’884.8 Millionen und somit um CHF 765.7 Millionen über dem Vorjahreswert. Dies war in erster Linie auf eine Zunahme der Finanzschulden, auf das höhere Geschäftsvolumen sowie auf Akquisitionen zurückzuführen.

Das Anlagevermögen erhöhte sich um CHF 139.9 Millionen auf CHF 2’052.4 Millionen. Dieser Anstieg ist insbesondere den Positionen Goodwill (CHF 91.6 Millionen), übrige immaterielle Anlagen (CHF 34.7 Millionen) sowie Sachanlagen (CHF 14.9 Millionen) aufgrund von Akquisitionen und höheren

Investitionen zu verdanken. Die Währungseffekte in Bezug auf das Anlagevermögen betrugen CHF –78.0 Millionen.

Das Umlaufvermögen stieg um CHF 793.8 Millionen auf CHF 2’832.4 Millionen, vor allem aufgrund höherer flüssiger Mittel (CHF 614.9 Millionen) und einer Zunahme des Nettoumlaufvermögens (CHF 152.0 Millionen). Die Höhe der flüssigen Mittel stieg ebenfalls aufgrund der Zunahme der Finanzschulden. Das Nettoumlaufvermögen erhöhte sich insbesondere aufgrund des gestiegenen Umsatzvolumens und durch den Auftragsbestand bedingter höherer Lagerbestände in Kombination mit einem höheren Anteil des Geschäfts mit neuen Anlagen im Segment Öl und Gas. Die Währungseffekte in Bezug auf das Umlaufvermögen beliefen sich auf CHF –88.3 Millionen.

Das gesamte Fremdkapital stieg per 31. Dezember 2018 um CHF 880.5 Millionen auf CHF 3’222.3 Millionen. Grund hierfür waren insbesondere ein Anstieg der Finanzschulden (CHF 621.5 Millionen) und der übrigen kurzfristigen Verbindlichkeiten und passiven Rechnungsabgrenzungen (CHF 227.2 Millionen). Die letztgenannte Position hing vor allem mit zinslosen Verbindlichkeiten gegenüber Renova, dem Hauptaktionär von Sulzer, zusammen, welche sich auf CHF 184.6 Millionen beliefen. Sie setzten sich zusammen aus CHF 108.6 Millionen im Zusammenhang mit dem Erwerb von fünf Millionen unserer eigenen Aktien von Renova am 8. April 2018, die dann am 18. September 2018 wieder verkauft wurden, und CHF 76.0 Millionen im Zusammenhang mit der Dividendenzahlung im Jahr 2018. Die Währungseffekte in Bezug auf das gesamte Fremdkapital beliefen sich auf CHF –73.1 Millionen.

Das Eigenkapital belief sich 2018 auf CHF 1’662.4 Millionen (2017: 1’702.4 Millionen). Hauptfaktoren für diese Entwicklung waren die von Sulzer gezahlte Dividende (CHF 119.1 Millionen) und Währungseffekte (CHF 90.6 Millionen), die teilweise durch das Jahresergebnis (CHF 116.1 Millionen) und die Neubewertung der Verpflichtung aus dem leistungsorientierten Vorsorgeplan (CHF 55.9 Millionen) ausgeglichen wurden.

Die Nettofinanzschulden erhöhten sich 2018 leicht auf CHF 239.0 Millionen (2017: CHF 225.0 Millionen). Das Nettofinanzschulden-EBITDA-Verhältnis sank auf 0.73 (2017: 0.81), in erster Linie aufgrund des höheren EBITDA.

Starker Free Cash Flow

Der Mittelfluss aus Geschäftstätigkeit betrug CHF 260.8 Millionen (2017: CHF 183.7 Millionen). Dieser Anstieg war insbesondere dem höheren Betriebsergebnis zuzuschreiben, das teilweise durch einen geringeren Beitrag des Nettoumlaufvermögens reduziert wurde. Der Free Cash Flow lag bei CHF 173.9 Millionen, im Vergleich zu CHF 127.0 Millionen im Vorjahr. Grund für den Anstieg war der höhere Mittelfluss aus Geschäftstätigkeiten, der teilweise durch höheren Investitionsaufwand reduziert wurde.

Die Mittelabflüsse aufgrund von Investitionstätigkeit beliefen sich auf CHF 297.4 Millionen (2017: CHF 230.8 Millionen). Die Mittelabflüsse für Akquisitionen betrugen CHF 218.7 Millionen (2017: CHF 162.5 Millionen). Der Investitionsaufwand belief sich auf CHF 96.2 Millionen und lag damit über dem Vorjahreswert von CHF 81.2 Millionen.

Der Mittelfluss aus Finanzierungstätigkeit betrug insgesamt CHF 669.1 Millionen (2017: CHF 106.3 Millionen). Dies hing weitgehend mit der Erhöhung der Finanzschulden um CHF 625.8 Millionen zusammen (2017: CHF 239.3 Millionen). Die Dividendenzahlungen beliefen sich auf CHF 43.1 Millionen, gegenüber CHF 119.4 Millionen im Jahr 2017. Auch wenn die Dividende von Sulzer unverändert bei CHF 3.50 pro Aktie lag, konnten Dividendenzahlungen in Höhe von CHF 76.0 Millionen an Renova, den Hauptaktionär von Sulzer, infolge der US-Sanktionen gegen Russland nicht übertragen werden. Die Wechselkursverluste beliefen sich 2018 auf CHF 26.1 Millionen (2017: Gewinn von CHF 0.1 Millionen).

Ausblick für 2019

Sulzer geht davon aus, dass sich die positive Dynamik im Marktsegment Öl und Gas 2019 fortsetzen wird. Die anderen Märkte dürften – mit Ausnahme des Energiemarktes – ebenfalls wachsen. Die Frühindikatoren des Unternehmens zeigen keine Anzeichen für eine drohende Konjunkturabschwächung in seinen Hauptmärkten. Daher erwartet Sulzer, dass sich der bisherige Trend zu organischem Wachstum und verbesserter Profitabilität fortsetzen wird.

Bisher erzielte Sulzer im Rahmen des SFP-Programms kumulative Einsparungen von CHF 230 Millionen. Dies liegt über dem zuvor für 2018 mitgeteilten kumulativen Ziel von CHF 220 Millionen. Sulzer rechnet damit, dass mit dem SFP-Programm im Jahr 2019 weitere Kosteneinsparungen in Höhe von etwa CHF 10 Millionen erzielt werden können. Das Unternehmen erhöht daher sein kumulatives Einsparungsziel von ursprünglich CHF 230 Millionen (ab 2019) auf CHF 240 Millionen (ab 2019).

Für das Gesamtjahr 2019 dürfte der Bestellungseingang organisch um 2% bis 5% und der Umsatz organisch um 3% bis 5% steigen. Sulzer geht davon aus, eine opEBITA-Marge (opEBITA in Prozent des Umsatzes) von rund 10% zu erreichen.

Einfluss von IFRS 15

Sulzer hat die Finanzberichterstattung an den Standard IFRS 15 „Erlöse aus Verträgen mit Kunden“ angepasst. Dieser Standard ersetzt IAS 18 „Umsatzerlöse“ und IAS 11 „Fertigungsaufträge“. IFRS 15 legt fest, ob, in welcher Höhe und wann der Umsatz aus Verträgen mit Kunden zu erfassen ist. 2018 wirkte sich IFRS 15 positiv auf den Umsatz (CHF 39.6 Millionen) und das opEBITA (CHF 0.3 Millionen) aus. Die Anwendung von IFRS 15 erhöhte auch die EBITA-Marge (opROSA) um 0.1 Prozentpunkte. Die Unterschiede beziehen sich auf Projekte, bei denen Umsatz, Kosten und Gewinne gemäss bisherigen Rechnungslegungsstandards anhand des Projektfortschritts (Over-time-Methode) erfasst wurden. Gemäss IFRS 15 werden Umsatz, Kosten und Gewinne dieser Projekte zu einem späteren Zeitpunkt erfasst.

Die Informationen für das Berichtsjahr 2017 wurden nicht angepasst. Aus Transparenzgründen führen wir die Zahlen für 2018 sowohl gemäss der alten als auch der neuen Methode im Lagebericht der Divisionen auf. Die prozentualen Veränderungen, die in den Tabellen aufgeführt und im Text erwähnt werden, vergleichen die Zahlen von 2018 nach der alten Methode mit den zuvor für 2017 ausgewiesenen Zahlen. In der Konzernrechnung (Anmerkung 34) werden die Auswirkungen der neuen Rechnungslegungsnormen auf die Jahresrechnung zusammengefasst.

Abkürzungen

EBIT: Betriebsergebnis
ROS: Umsatzrendite (EBIT/Umsatz)
opEBITA: Betriebsergebnis vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen
opROSA: Umsatzrendite vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen (opEBITA/Umsatz)
opROCEA: Rendite des Betriebsvermögens (opEBITA/durchschnittliches Betriebsvermögen)
EBITDA: Betriebsergebnis vor Abschreibungen und Amortisationen

Anstieg von Bestellungseingang, Umsatz und Profitabilität

Pumps Equipment verzeichnete 2018 beim Bestellungseingang und Umsatz eine Zunahme. Das operative EBITA und die operative EBITA-Marge (opROSA) erhöhten sich signifikant, sodass die Division wieder profitabel wurde. Sulzer schloss die Akquisition von JWC Environmental, LLC ab. Per 1. Januar 2019 wurde Frédéric Lalanne zum Leiter der Division Pumps Equipment ernannt.

Preisgekrönte Internet-of-Things-Lösung

Sulzer baute das Produkt- und Service-Angebot des Unternehmens weiter für das digitale Zeitalter aus. So konnte Sulzer die BLUE BOX™-Plattform für fortgeschrittene Fernanalysen für Phillips 66, ein grosses US-Pipeline-Unternehmen, in Betrieb nehmen. Dank BLUE BOX™ kann Phillips 66 seine Energieeffizienz verbessern und das Management seiner Anlagen optimieren. Im November 2018 wurde diese wegweisende Lösung mit dem Goldzertifikat Industrie 4.0 bei den Digital Economy Awards in der Schweiz ausgezeichnet.

2018 sind wir wieder profitabel geworden. Ich freue mich, Pumps Equipment in einem dynamischen Markt anzuführen und die Erholung der Division voranzutreiben.

Frédéric Lalanne, Divisionsleiter Pumps Equipment (per 1. Januar 2019)

Im Januar 2018 schloss Sulzer die Akquisition von JWC Environmental, LLC (JWC) ab. JWC ist ein Anbieter auf dem nordamerikanischen Abwassermarkt und hat rund 230 Beschäftigte.

Per 1. Januar 2019 wurde Frédéric Lalanne (zuvor Chief Commercial and Marketing Officer) zum Leiter der Division Pumps Equipment ernannt. Michael Streicher trat aus der Konzernleitung aus, um seine neue Verantwortung als Global Head des Wasserpumpengeschäfts zu übernehmen.

Bestellungseingang gestiegen

2018 verzeichnete Pumps Equipment einen wachsenden Bestellungseingang. Alle Marktsegmente mit Ausnahme von Energie trugen zum Wachstum bei. Besonders gut war der Bestellungseingang im Segment Öl und Gas. Mit der Akquisition von JWC stieg der Auftragsbestand um insgesamt CHF 87 Millionen.

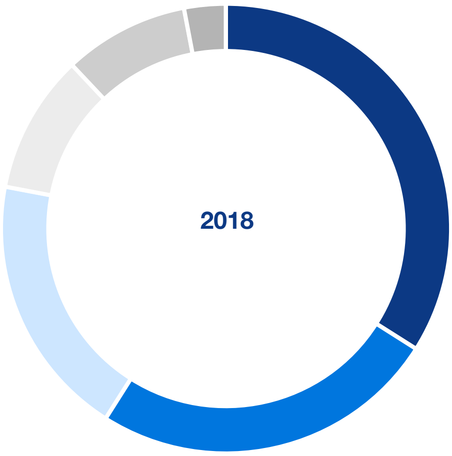
Nach Regionen differenziert war der Bestellungseingang gut in Nord-, Mittel- und Südamerika, insbesondere in den USA, wo grosse Pipeline-Bestellungen verbucht wurden. Die Bestellungen in der Region Europa, Naher Osten und Afrika (EMEA) blieben stabil, während sie in der Region Asien-Pazifik zurückgingen.

Umsatzsteigerung und Rückkehr zur Profitabilität

Der Umsatz wuchs 2018 um 15.5%, wobei alle Schlüsselmärkte von Sulzer, insbesondere sämtliche Segmente der Öl- und Gasindustrie, zum Wachstum beitrugen.

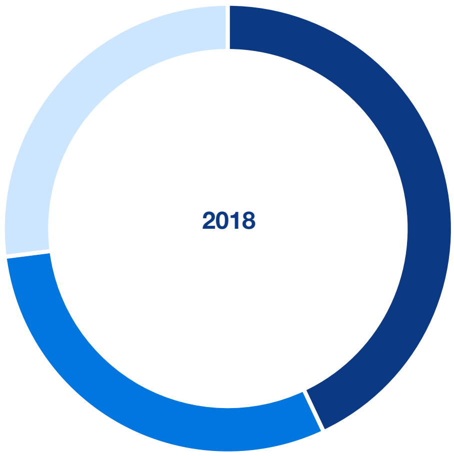
Das operative EBITA verbesserte sich gegenüber 2017 deutlich, sodass die Division wieder zur Profitabilität zurückkehrte. Unterstützt wurde diese Entwicklung von höheren Volumina in den Märkten Wasser und Industrie sowie von der positiven Wirkung der Akquisition von JWC. Die operative EBITA-Marge (opROSA) stieg auf 3.1%.

Umsatz nach (Sub-)Segmenten



- **34%** Wasser
- **25%** Allgemeine Industrie
- **19%** Midstream und Downstream
- **10%** Upstream
- **9%** Energie
- **3%** Chemische Prozessindustrie

Umsatz nach Regionen



- **43%** Europa, Naher Osten, Afrika
- **30%** Nord-, Mittel- und Südamerika
- **27%** Asien-Pazifik

Kennzahlen zur Arbeitssicherheit 2018

Die Division Pumps Equipment verzeichnete einen Rückgang der Unfallhäufigkeit (AFR) auf 2.7 Fälle pro Million Arbeitsstunden (2017: 2.8*). Die Schwere von Unfällen (ASR) betrug 107.3 Ausfalltage pro Million Arbeitsstunden (2017: 49.3). Der Übertrag von Ausfalltagen, die durch Unfälle verursacht wurden, die sich im Vorjahr ereignet hatten, jedoch erst 2018 vollständig abgeschlossen wurden, trug zu diesem Anstieg bei. 2019 wird sich die Division auf die Verbesserung der Arbeitssicherheit konzentrieren, insbesondere in der Region EMEA, in der es 2018 zu einer ungewöhnlichen Zunahme der Unfälle kam. Weitere Informationen zu Arbeitssicherheit und Gesundheitsschutz des Unternehmens finden sich im Kapitel „Soziale Nachhaltigkeit“.
* Bereinigt um Akquisitionseffekte.

Sofern nicht anders angegeben, beziehen sich alle Veränderungen zum Vorjahr auf währungsbereinigte Werte ohne Berücksichtigung von IFRS 15. Es wurden dieselben Rechnungslegungsstandards wie im Vorjahr angewendet.

Kennzahlen Pumps Equipment

in Mio. CHF	2018 (neue Rechnungslegungsgrundsätze)[1]	2018 (bisherige Rechnungslegungsgrundsätze)[2]	2017	Veränderung in +/–%[3]	+/–% bereinigt[4]	+/–% organisch[5]
Bestellungseingang	1’372.1	1’372.1	1’180.2	16.3	16.5	8.6
Bruttomarge des Bestellungseingangs	26.3%	26.3%	28.3%			
Auftragsbestand am 31. Dezember	982.9	910.3	847.0	7.5		
Umsatz	1’284.2	1’299.9	1’120.0	16.1	15.5	7.5
EBIT	–27.2	–29.0	–61.7	53.0		
opEBITA	41.4	39.7	–3.7	n/a	n/a	n/a
opROSA	3.2%	3.1%	–0.3%			
opROCEA	5.8%	5.4%	–0.6%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	5’713	5’713	5’453	4.8		

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.

2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

3) Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

4) Bereinigt um Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

5) Bereinigt um Akquisitions- und Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

Abkürzungen

EBIT: Betriebsergebnis
opEBITA: Betriebsergebnis vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen
opROSA: Umsatzrendite vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen (opEBITA/Umsatz)
opROCEA: Rendite des Betriebsvermögens (opEBITA/durchschnittliches Betriebsvermögen)

Steigender Umsatz in allen Regionen

Der Bestellungseingang, der Umsatz und das operative EBITA stiegen 2018 gegenüber dem Vorjahr an. Die operative EBITA-Marge (opROSA) wurde vom Segment Energie beeinträchtigt. Mit der Akquisition von Brithinee Electric weitete Sulzer sein elektromechanisches Dienstleistungsportfolio auf Südkalifornien sowie den Windenergiesektor aus.

Digitalisiertes Servicemodell und Expansion in neue Märkte

Die Division Rotating Equipment Services passt ihr Servicemodell weiter an das digitale Zeitalter an. 2018 wurde die Pumpen-Ersatzteilfabrik im britischen Leeds vollständig auf papierlosen Betrieb umgestellt. Diese Massnahme hat die Lieferung von Ersatzteilen an die Kunden beschleunigt und reduziert darüber hinaus Kosten und Arbeitsaufwand. Zudem bauen die Ersatzteilfabriken weltweit die Anwendung additiver Fertigungsverfahren aus, um Lieferzeiten und Sourcing-Flexibilität zu verbessern.

2018 verzeichnete unser Servicegeschäft in allen Regionen einen Anstieg des Bestellungseingangs. Die Anpassung unseres Servicemodells an das digitale Zeitalter wird dazu beitragen, auch künftig nachhaltig zu wachsen.

Daniel Bischofberger, Divisionsleiter Rotating Equipment Services

Im November 2018 übernahm Sulzer Brithinee Electric, einen führenden unabhängigen Anbieter elektromechanischer Dienstleistungen, der den Windenergiemarkt in Südkalifornien, USA, im Fokus hat. 2017 verzeichnete Brithinee mit 46 Beschäftigten einen Jahresumsatz von rund USD 10 Millionen.

Anstieg des Bestellungseingangs

2018 verzeichnete Rotating Equipment Services einen wachsenden Bestellungseingang. Dieser Anstieg war vor allem der Erholung im Öl- und Gasmarkt zu verdanken. Der Bestellungseingang im Segment Energie ging zurück. Während die Zahl der Bestellungen bei den Servicelösungen für Pumpen und den elektromechanischen Dienstleistungen stieg, ging sie bei den Turbo-Services zurück.

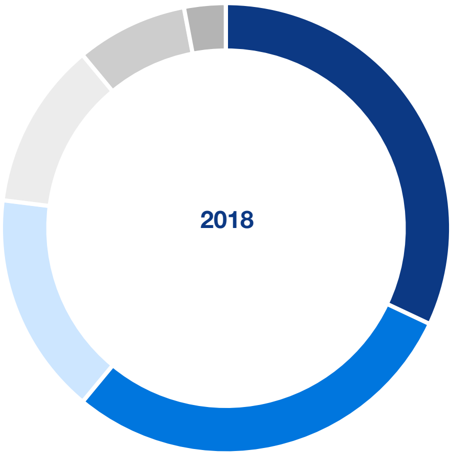
Im Vergleich zu 2017 stieg der Bestellungseingang in allen Regionen. Am ausgeprägtesten war das Wachstum in der Region Asien-Pazifik.

Umsatz und operatives EBITA höher

Der Umsatz legte 2018 gegenüber dem Vorjahr zu. Die Division verzeichnete Wachstum in allen Regionen.

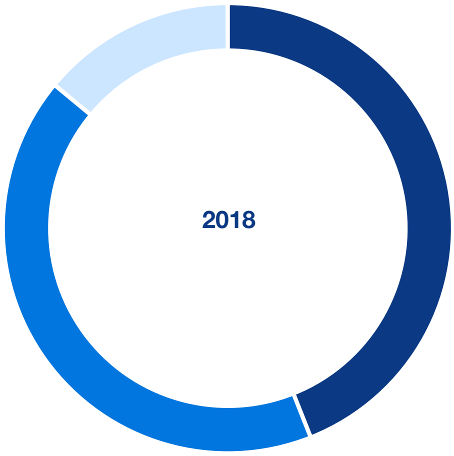
Das operative EBITA stieg, während die operative EBITA-Marge (opROSA) leicht zurückging. Die höheren Umsatzvolumina wurden durch die infolge des Preisverfalls geringeren Margen im Segment Energie aufgehoben, vor allem in Nord-, Mittel- und Südamerika.

Umsatz nach (Sub-)Segmenten



- **32%** Energie
- **29%** Midstream und Downstream
- **16%** Allgemeine Industrie
- **12%** Upstream
- **8%** Chemische Prozessindustrie
- **3%** Wasser

Umsatz nach Regionen



- **44%** Europa, Naher Osten, Afrika
- **42%** Nord-, Mittel- und Südamerika
- **14%** Asien-Pazifik

Kennzahlen zur Arbeitssicherheit 2018

2018 stieg die Unfallhäufigkeit (AFR) geringfügig auf 2.1 Fälle pro Million Arbeitsstunden an (2017: 2.0). Hauptgrund hierfür war ein Anstieg der Unfälle mit Ausfalltagen in der Region Europa, Naher Osten und Afrika (EMEA). Die Schwere von Unfällen stieg trotz Bemühungen, eine Risikobewertung und sonstige sicherheitsspezifische Kompetenzen aufzubauen, auf 53.7 (2017: 42.6). Im Jahr 2019 wird die Division die Arbeitsvorbereitung, die Kontrolle von Tätigkeiten mit hohem Risiko und die Ursachenanalyse in den Vordergrund stellen. Weitere Informationen zu Arbeitssicherheit und Gesundheitsschutz des Unternehmens finden sich im Kapitel „Soziale Nachhaltigkeit“.

Sofern nicht anders angegeben, beziehen sich alle Veränderungen zum Vorjahr auf währungsbereinigte Werte ohne Berücksichtigung von IFRS 15. Es wurden dieselben Rechnungslegungsstandards wie im Vorjahr angewendet.

Kennzahlen Rotating Equipment Services

in Mio. CHF	2018 (neue Rechnungslegungs-grundsätze)[1]	2018 (bisherige Rechnungslegungs-grundsätze)[2]	2017	Veränderung in +/–%[3]	+/–% bereinigt[4]	+/–% organisch[5]
Bestellungseingang	1’109.7	1’109.7	1’047.7	5.9	7.6	5.8
Bruttomarge des Bestellungseingangs	37.7%	37.7%	38.0%			
Auftragsbestand am 31. Dezember	393.1	368.2	364.4	1.1		
Umsatz	1’063.7	1’087.4	1’029.5	5.6	7.2	5.2
EBIT	130.8	133.5	134.4	–0.7		
opEBITA	146.1	148.8	144.0	3.4	4.9	3.0
opROSA	13.7%	13.7%	13.9%			
opROCEA	26.6%	26.6%	28.4%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	4’721	4’721	4’485	5.3		

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.

2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

3) Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

4) Bereinigt um Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

5) Bereinigt um Akquisitions- und Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

Abkürzungen

EBIT: Betriebsergebnis
opEBITA: Betriebsergebnis vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen
opROSA: Umsatzrendite vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen (opEBITA/Umsatz)
opROCEA: Rendite des Betriebsvermögens (opEBITA/durchschnittliches Betriebsvermögen)

Anstieg von Bestellungseingang, Umsatz und Profitabilität

2018 verzeichnete die Division Chemtech Wachstum bei Bestellungen und Umsatz. Das operative EBITA sowie die operative EBITA-Marge (opROSA) erhöhten sich ebenfalls. Sulzer weitete die Kooperation mit der SGL Group im Bereich Kolonneneinbauten aus und tat sich mit Futerro und TechnipFMC zusammen, um die PLAnet™-Initiative für die Produktion nachhaltiger Kunststoffe auf der Basis von Polymilchsäure (PLA) zu gründen.

Strategische Kooperation zur Entwicklung neuer Produkte und Lösungen

Im Januar 2018 weitete die Division Chemtech ihre Kooperation mit der SGL Group im Bereich Kolonneneinbauten aus. Den Partnern ist es nun gelungen, eine komplette Familie von Kolonneneinbauten auf Basis von Kohlenstofffaser-Verbundwerkstoff herzustellen – ein Material, das sehr temperatur- und korrosionsbeständig ist.

Chemtech erzielte 2018 Wachstum bei Bestellungseingang, Umsatz und Profitabilität. Gemeinsam mit unseren Partnern entwickeln wir weiter neue Produkte, nachhaltige Materialien und modernste Prozesse, um innovative Lösungen auf den Markt zu bringen.

Torsten Wintergerste, Divisionsleiter Chemtech

Im Dezember 2018 schlossen sich Futerro, Sulzer und TechnipFMC zusammen mit dem Ziel, die Herstellung von Biokunststoffen zu vereinfachen. Die drei bedeutenden Spezialisten für Prozess- und Anlagentechnologie riefen die PLAnet™-Initiative ins Leben, um die Produktion nachhaltiger Kunststoffe auf der Basis von Polymilchsäure (PLA) voranzubringen. Diese strategische Kooperation unterstützt Hersteller, die am Einstieg in den Biokunststoffmarkt interessiert sind, indem sie integrierte PLA-Technologiepakete bereitstellt. Die meisten industriellen PLA-Werke weltweit arbeiten mit der Technologie von Sulzer.

Bestellungseingang gestiegen

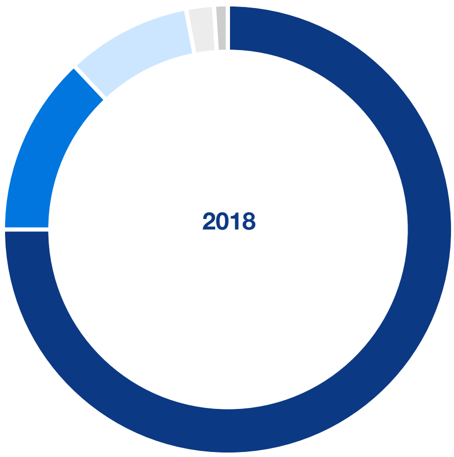
2018 verzeichnete Chemtech einen signifikanten Anstieg des Bestellungseingangs. Ein Grossteil dieses Wachstums entfiel auf die Geschäftseinheit Trenntechnologie. Zu diesem Anstieg trug insbesondere der Eingang von zwei Grossaufträgen bei: einer für die patentierte VIEC-Technologie von Sulzer und der andere für die Destillationsausrüstung, die das wegweisende von der EU finanzierte Projekt „Steelanol“ unterstützt. Das Projekt soll stark kohlenstoffhaltige Industrieemissionen in Bioethanol-Kraftstoffe umwandeln. Der Bestellungseingang wuchs in allen Marktsegmenten, wobei die ausgeprägteste Zunahme im Segment Öl und Gas verzeichnet wurde.

Der Bestellungseingang war in allen Regionen gut, insbesondere aber in den Regionen Asien-Pazifik sowie Europa, Naher Osten und Afrika (EMEA), wo die Entwicklung durch die Erholung im Öl- und Gasmarkt unterstützt wurde.

Wachstum von Umsatz, operativem EBITA und operativer EBITA-Marge (opROSA)

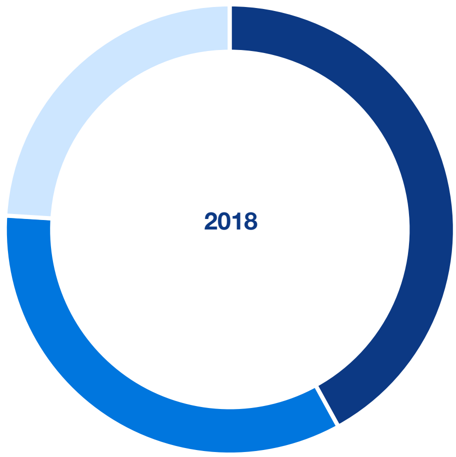
Im Einklang mit dem kräftigen Wachstum des Bestellungseingangs wuchs auch der Umsatz der Division erheblich im Vergleich zum Vorjahr. Die wichtigsten Beiträge zum Umsatzwachstum leisteten die Regionen Asien-Pazifik und Europa. Das operative EBITA stieg 2018 deutlich. Unterstützt wurde diese Entwicklung von höheren Volumina, verbesserter Produktivität und einem günstigen Produktmix. Entsprechend stieg die operative EBITA-Marge (opROSA) gegenüber 2017 kräftig.

Umsatz nach (Sub-)Segmenten



75% Midstream und Downstream
13% Chemische Prozessindustrie
9% Upstream
2% Allgemeine Industrie
1% Energie

Umsatz nach Regionen



42% Asien-Pazifik
34% Europa, Naher Osten und Afrika
24% Nord-, Mittel- und Südamerika

Kennzahlen zur Arbeitssicherheit 2018

2018 stieg die Unfallhäufigkeit (AFR) bei Chemtech auf 1.8 Fälle pro Million Arbeitsstunden an (2017: 1.5). Die Schwere der Unfälle (ASR) liess nach und betrug 80.4 Ausfalltage pro Million Arbeitsstunden (2017: 84.7). Die erhöhte Zahl der Sicherheitsrundgänge und ein stärkerer Fokus auf sichere Arbeit in engen Räumen, die zu den riskantesten Arbeiten in der Division zählen, unterstützten die Unfallprävention. Weitere Informationen zu Arbeitssicherheit und Gesundheitsschutz des Unternehmens finden sich im Kapitel „Soziale Nachhaltigkeit“.

Sofern nicht anders angegeben, beziehen sich alle Veränderungen zum Vorjahr auf währungsbereinigte Werte ohne Berücksichtigung von IFRS 15. Es wurden dieselben Rechnungslegungsstandards wie im Vorjahr angewendet.

Kennzahlen Chemtech

in Mio. CHF	2018 (neue Rechnungslegungs-grundsätze)[1)]	2018 (bisherige Rechnungslegungs-grundsätze)[2)]	2017	Veränderung in +/–%[3)]	+/–% bereinigt[4)]	+/–% organisch[5)]
Bestellungseingang	600.1	600.1	501.5	19.7	20.5	20.5
Bruttomarge des Bestellungseingangs	31.3%	31.3%	31.0%			
Auftragsbestand am 31. Dezember	345.9	323.2	315.3	2.5		
Umsatz	563.2	563.4	478.0	17.9	18.6	18.6
EBIT	14.5	13.3	11.0	21.0		
opEBITA	50.0	48.8	25.0	94.8	94.6	94.7
opROSA	8.9%	8.7%	5.2%			
opROCEA	24.6%	23.0%	11.3%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	3’063	3’063	2’878	6.4		

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.

2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

3) Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

4) Bereinigt um Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

5) Bereinigt um Akquisitions- und Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

Abkürzungen

EBIT: Betriebsergebnis
opEBITA: Betriebsergebnis vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen
opROSA: Umsatzrendite vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen (opEBITA/Umsatz)
opROCEA: Rendite des Betriebsvermögens (opEBITA/durchschnittliches Betriebsvermögen)

Anstieg von Bestellungseingang, Umsatz und Profitabilität

Im Jahr 2018 verzeichnete die Division Applicator Systems einen Bestellungs- und Umsatzanstieg. Das operative EBITA sowie die operative EBITA-Marge (opROSA) erhöhten sich ebenfalls. Sulzer übernahm die Medmix Systems AG und stärkte damit die Position des Konzerns als Anbieter von hochmodernen Misch- und Austragssystemen im Gesundheitsmarkt.

Erweiterung des Applikator-Portfolios

Im August 2018 schloss Sulzer die Akquisition der Medmix Systems AG ab. Das schweizerische Unternehmen bietet Applikationssysteme für Gewebebehandlung, Knochenreparatur, Mundchirurgie und Medikamentenverabreichung an. Die Akquisition weitet das Misch- und Austragssystem-Portfolio von Applicator Systems im Gesundheitssektor aus und vervollständigt so die führenden Positionen der Division im Dental- und Gesundheitsbereich sowie im Beautymarkt.

Die Akquisition von Medmix wird uns helfen, neben unseren bereits führenden Positionen im Dental-, Klebstoff- und Beautybereich weiter Fuss im wachsenden Gesundheitsmarkt zu fassen.

Amaury de Menthiere, Divisionsleiter Applicator Systems

Um die Kapazität des Industrieklebstoffgeschäfts zu erhöhen, eröffnete Sulzer 2018 eine neue Fertigungsstätte in Breslau, Polen. Ausserdem errichtete das Unternehmen in Luxemburg ein neues europäisches Vertriebszentrum für seine Klebstoffprodukte.

Bestellungseingang verbesserte sich auf währungsbereinigter Basis

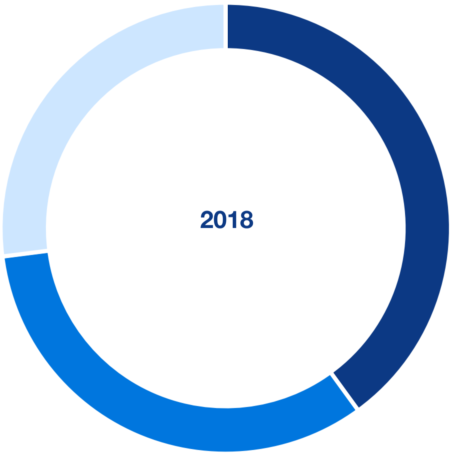
Das Wachstum des Bestellungseingangs nahm währungsbereinigt zu und blieb auf organischer Basis stabil. Der Bestellungseingang im Dental- und Gesundheitsbereich sowie im Segment Klebstoffe stieg insgesamt um 11.8% einschliesslich Akquisitionen und um 4.8% auf organischer Basis. Der Bestellungseingang im Beautybereich sank um 5.4% auf organischer Basis wegen einer Produktumstellung bei einem Grosskunden.

Anstieg des Umsatzes, des operativen EBITA und der operativen EBITA-Marge (opROSA)

Verglichen mit 2017 stieg der Umsatz, vor allem wegen der Akquisition von Transcodent und dem kräftigen organischen Bestellungseingang im Dentalbereich. Die Akquisitionen von Transcodent und Medmix hatten einen positiven Umsatzeffekt von CHF 16 Millionen. Applicator Systems verzeichnete Umsatzwachstum in allen Regionen. Am stärksten war das Wachstum in der Region Europa, Naher Osten und Afrika (EMEA).

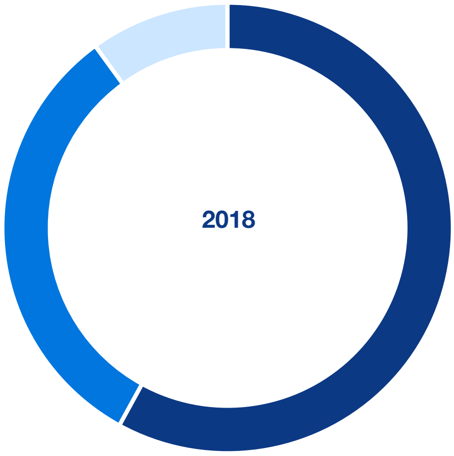
2018 stieg das operative EBITA, weitgehend bedingt durch höhere Volumina im Dentalbereich und im Segment Klebstoffe. Die operative EBITA-Marge (opROSA) verbesserte sich ebenfalls.

Umsatz nach (Sub-)Segmenten



- **40%** Beauty
- **33%** Klebstoffe
- **27%** Dental- und Gesundheitsindustrie

Umsatz nach Regionen



- **58%** Europa, Naher Osten und Afrika
- **32%** Nord-, Mittel- und Südamerika
- **10%** Asien-Pazifik

Kennzahlen zur Arbeitssicherheit 2018

Die Division wies 2018 eine Unfallhäufigkeit (AFR) von 8.1 Fällen pro Million Arbeitsstunden aus (2017: 7.2). Die Schwere von Unfällen (ASR) betrug 73.2 Ausfalltage pro Million Arbeitsstunden (2017: 50.4). Diese Zunahme rührte aus Akquisitionen und laufenden Integrationsmassnahmen her. 2019 wird sich die Division auf Zuständigkeiten in Sicherheitsfragen und die Sicherheitskultur konzentrieren. Weitere Informationen zu Arbeitssicherheit und Gesundheitsschutz des Unternehmens finden sich im Kapitel „Soziale Nachhaltigkeit“.

Sofern nicht anders angegeben, beziehen sich alle Veränderungen zum Vorjahr auf währungsbereinigte Werte ohne Berücksichtigung von IFRS 15. Es wurden dieselben Rechnungslegungsstandards wie im Vorjahr angewendet.

Kennzahlen Applicator Systems

in Mio. CHF	2018 (neue Rechnungslegungs-grundsätze)1)	2018 (bisherige Rechnungslegungs-grundsätze)2)	2017	Veränderung in +/–%3)	+/–% bereinigt4)	+/–% organisch5)
Bestellungseingang	449.6	449.6	426.3	5.4	4.2	0.3
Bruttomarge des Bestellungseingangs	45.9%	45.9%	43.9%			
Auftragsbestand am 31. Dezember	65.0	65.0	66.8	–2.8		
Umsatz	453.8	453.8	421.6	7.7	6.3	2.4
EBIT	63.8	63.8	63.2	0.9		
opEBITA	95.7	95.7	86.8	10.2	9.5	5.7
opROSA	21.1%	21.1%	20.5%			
opROCEA	22.9%	22.9%	22.7%			
Mitarbeitende (Anzahl Vollzeitstellen) am 31. Dezember	1’864	1’864	1’716	8.6		

1) Unter Berücksichtigung von IFRS 15, für Details siehe Lagebericht und Anhang 34 der Konzernrechnung.

2) Ohne Berücksichtigung von IFRS 15, Anwendung gleicher Rechnungslegungsgrundsätze wie im Vorjahr.

3) Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

4) Bereinigt um Währungseffekte. Vergleich 2018 (bisherige Rechnungslegungsgrundsätze) mit 2017.

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opROSA: Umsatzrendite vor Restrukturierung, Amortisationen, Wertminderungen und nicht operativen Positionen (opEBITA/Umsatz)
opROCEA: Rendite des Betriebsvermögens (opEBITA/durchschnittliches Betriebsvermögen)

Nachhaltige Entwicklung

Werte und Verhaltensweisen: Schlüssel zu Sulzers Erfolg

Im Jahr 2017 wurde bei Sulzer eine Reihe einfacher und pragmatischer Werte und Verhaltensweisen neu festgelegt, welche die Art und Weise, wie sich das Unternehmen und seine Mitarbeitenden verhalten, neu definieren. Ein Jahr ist seither vergangen. Zeit zu prüfen, wie diese Werte und Verhaltensweisen mit Leben gefüllt werden.

Voice of Sulzer

2018 befragte Sulzer weltweit seine Mitarbeitenden mit dem Ziel, die Unternehmenskultur weiter zu stärken und das Arbeitserlebnis zu verbessern. An der Umfrage „Voice of Sulzer" mit ihrem einfachen und leicht zugänglichen Format nahmen 73% der Mitarbeitenden teil. Die Ergebnisse waren sehr aufschlussreich und helfen Sulzer, besser zu verstehen, wie die Mitarbeitenden die unterschiedlichen Aspekte ihrer Arbeit bei Sulzer beurteilen.

Seit ihrer Einführung vor etwas mehr als einem Jahr werden die Werte und Verhaltensweisen von Sulzer schrittweise in unseren Arbeitsalltag integriert. Sie sind Anker und Bezugspunkt in den unterschiedlichen Bereichen unseres Geschäfts und werden unsere künftige Ausrichtung entscheidend prägen.

Armand Sohet Chief Human Resources Officer

Global gesehen zeigen die Mitarbeitenden von Sulzer grossen Einsatz. Insgesamt 93% der Befragten würden sich überdurchschnittlich engagieren, um den Erfolg von Sulzer sicherzustellen. Und mehr als 80% würden Sulzer als guten Arbeitgeber empfehlen. In Relation zu vergleichbaren Unternehmen in der Fertigungsindustrie entspricht Sulzer dem Benchmark in 8 von 10 Kategorien oder übertrifft diesen sogar.

Die sorgfältige Analyse der Ergebnisse hat Sulzer detaillierte Erkenntnisse zum Arbeitserlebnis geliefert und gezeigt, dass das Unternehmen in vielen Bereichen gute Leistungen erzielt. Die Ergebnisse haben indes auch Bereiche aufgezeigt, in denen es sich verbessern kann. Das Unternehmen ist nun in der Lage, seine Anstrengungen weltweit so zu kanalisieren, dass die Erfahrungen jedes Mitarbeitenden mit Sulzer immer besser werden.

Weitere Informationen zu unseren Werten und Verhaltensweisen finden Sie unter www.sulzer.com.

3

Zeitraum der Umfrage
18. April – 7. Mai 2018.

73%

aller Mitarbeitenden
haben teilgenommen.

Vorgesetzte und Manager wurden besonders gut bewertet. Sie unterstützen und stärken ihre Teams.

8

In 8 von 10 Kategorien ist Sulzer genauso gut wie oder besser als die Vergleichsgruppe.

93%

der Mitarbeitenden würden für den Erfolg des Unternehmens mehr tun als verlangt.

84%

der Mitarbeitenden sind sehr engagiert bei der Arbeit.

Mitarbeitende bewerten ihre Teams sehr hoch bezüglich Effizienz, Kundenorientierung und Innovation.

93%

der Mitarbeitenden schätzen die Sicherheit an ihrem Arbeitsplatz als hoch ein.

Bessere Verankerung der Sulzer-Werte – Operational Excellence, Customer Partnership, Committed People – seit der letzten Umfrage im Jahr 2014.

Sulzer in Motion: Gesundheit für Körper und Geist

Sulzer in Motion

2018 baute Sulzer die „Sulzer in Motion“-Initiative zur Förderung von Wohlbefinden der Mitarbeitenden weiter aus. Ziel dieser Initiative ist es, Teamgeist, Zusammenarbeit und Gesundheit zu fördern, um Sulzer zu einem besonders dynamischen Arbeitsplatz zu machen.

Nachdem das Pilotprojekt 2017 auf sehr positive Resonanz gestossen war, weitete Sulzer im Jahr 2018 die Beteiligung am Virgin Pulse Global Challenge weiter aus. Fast 2’500 Mitarbeitende aus der ganzen Welt bildeten 350 Teams, die während eines Zeitraums von 100 Tagen ihre Bewegung massen. Die Teams von Sulzer absolvierten zusammen eine Strecke von 2’001’336 km, was einer 50-fachen Umrundung der Erde entspricht! Die Mitarbeitenden waren sehr engagiert und posteten regelmässig Updates zu ihren sportlichen Leistungen auf unserer internen Kommunikationsplattform. Committed People – für Sulzer bedeutet dies glückliche, gesunde und energiegeladene Mitarbeitende. Das Wohlbefinden unserer Mitarbeitenden ist und bleibt entscheidend für uns.

Energieverbrauch, Abfallmenge und Wasserverbrauch reduziert

Sulzer ist sich seiner ökologischen Verantwortung als globales Industrieunternehmen bewusst und konzentriert sich immer stärker auf die Entwicklung von Produkten mit hohem Wirkungsgrad. Im Jahr 2018 sank der Gesamtenergieverbrauch bei gleichzeitig stark reduziertem Wasserverbrauch. Sulzer konnte sowohl die Gesamtabfallmenge als auch den Anteil gefährlicher Abfälle reduzieren – was die Umwandlung von Deponiegas in Biogas erleichtert.

Viele Industrieprodukte von Sulzer sind für sehr grosse Leistungen ausgelegt. Die grossen Maschinen und Anlagen brauchen im Betrieb entsprechend viel Energie. Sulzers Entwicklungsabteilungen verbessern daher laufend die Energieeffizienz von Produkten und Gesamtlösungen.

Im Dienste unserer Kunden und der Umwelt

Sulzer-Produkte sind daher besonders effizient. Bei der Konstruktion wird zudem viel Wert darauf gelegt, so wenig Material wie möglich einzusetzen und dabei die hohen Qualitätsstandards des Unternehmens einzuhalten. Sulzer ist fest davon überzeugt, auf diese Weise bestmöglich zum Schutz der Umwelt beizutragen und gleichzeitig unseren Kunden zu helfen, die effizientesten Lösungen zu finden und damit Zeit, Platz und Geld zu sparen.

Da es nicht immer notwendig ist, bestehende Anlagen bei Kunden komplett zu ersetzen, bietet Sulzer Umrüstungen, Retrofits und Upgrades an, um die Effizienz der Anlagen zu steigern und deren Lebensdauer zu verlängern – und das unabhängig vom ursprünglichen Hersteller. Ein Beispiel ist die sogenannte 12Cr-Schweisstechnik, die Sulzer für die Reparatur von geothermischen Dampfturbinen entwickelt hat. Die mit dieser Technik reparierten Turbinenteile haben mitunter eine längere Lebensdauer als teure, oft schwer zu beschaffende Originalersatzteile. Unsere Kunden sparen so viel Geld und Zeit. Ein anderes Beispiel ist der neue Hochgeschwindigkeits-Turbokompressor Sulzer HST 30, der mehr Durchfluss und Druck und einen deutlich höheren Wirkungsgrad bietet als seine Vorgänger. Der Energieverbrauch sinkt deutlich, sowohl bei der Abwasserbehandlung als auch in industriellen Prozessen.

Um über den gesamten Lebenszyklus eines Produkts hinweg optimale Wirkungsgrade zu erreichen, berät Sulzer seine Kunden bei der sicheren und effizienten Installation, dem Betrieb, der Wartung und der Entsorgung ihrer Anlagen.

Unterschiedliche Fussabdrücke

Sulzer veröffentlicht Daten zum Energieverbrauch, zu Treibhausgasemissionen, zur Abfallproduktion und zum Wasserverbrauch, da diese für die Betriebe des Unternehmens charakteristisch sind. Das Ziel des Unternehmens ist es, die Kennzahlen bezogen auf die Arbeitszeit (working hours, whr) von Jahr zu Jahr zu verbessern oder mindestens konstant zu halten. Die Produkte und Dienstleistungen von Sulzer unterscheiden sich stark voneinander. Das Portfolio umfasst Pumpen, Separatoren und Applikatoren sowie Services für rotierendes Equipment. Diese Geschäfte haben sehr unterschiedliche ökologische Fussabdrücke. Sulzer verfolgt daher einen lokalen Ansatz zur Reduzierung der Umweltbelastung. Die Geschäftseinheiten und die einzelnen Standorte bewerten ihre Fussabdrücke individuell und bestimmen ihre Verbesserungsmassnahmen selbst.

Umfassendes Berichterstattungssystem

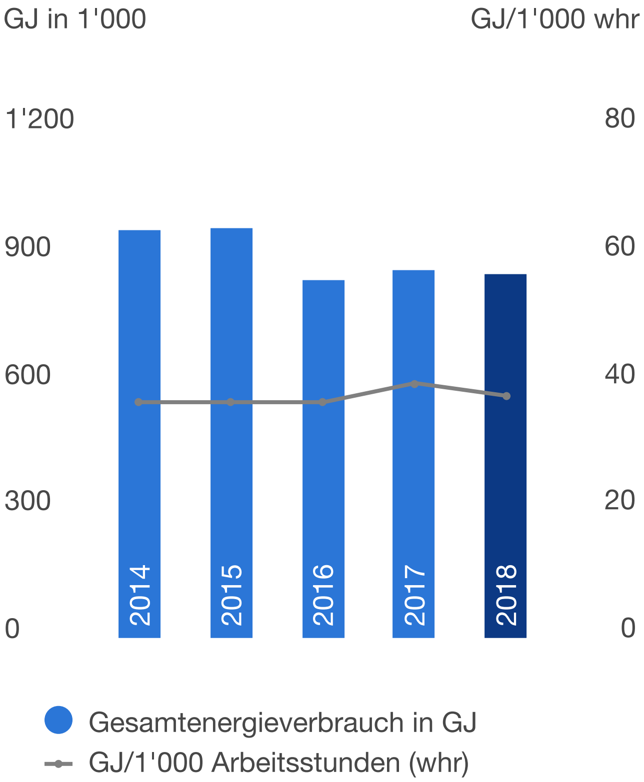
Sulzer hat ein umfassendes Berichterstattungssystem, um finanzielle und nicht finanzielle Daten auf Standortebene zu erfassen. Als Bezugsgrösse wird die Zahl der insgesamt geleisteten Arbeitsstunden verwendet. Die Anzahl der Arbeitsstunden blieb konstant, da Restrukturierungsmassnahmen durch hinzugekommene Arbeitsstunden von neu übernommenen Unternehmen ausgeglichen wurden. Im Jahr 2018 lagen zu 78.5% aller geleisteten Arbeitsstunden Umweltdaten vor (2017: 76%). Der Anteil ist etwas höher als im Vorjahr, da die akquirierten Unternehmen Geka und Ensival Moret nun vollständig in den Erfassungsprozess für die Umweltdaten integriert sind. Die Daten zu Personal, Arbeitssicherheit und Gesundheitsschutz umfassen 100% aller Arbeitsstunden. Die Organisation erhebt nicht finanzielle Daten in zwei unterschiedlichen Berichterstattungszyklen und stellt mit regelmässigen internen Audits sicher, dass die gemeldeten Zahlen korrekt sind:

- Die Umweltdaten decken den Zeitraum vom 1. Oktober 2017 bis zum 30. September 2018 ab.
- Die Kennzahlen für Personal, Arbeitssicherheit und Gesundheitsschutz wurden vom 1. Januar 2018 bis zum 31. Dezember 2018 erhoben.

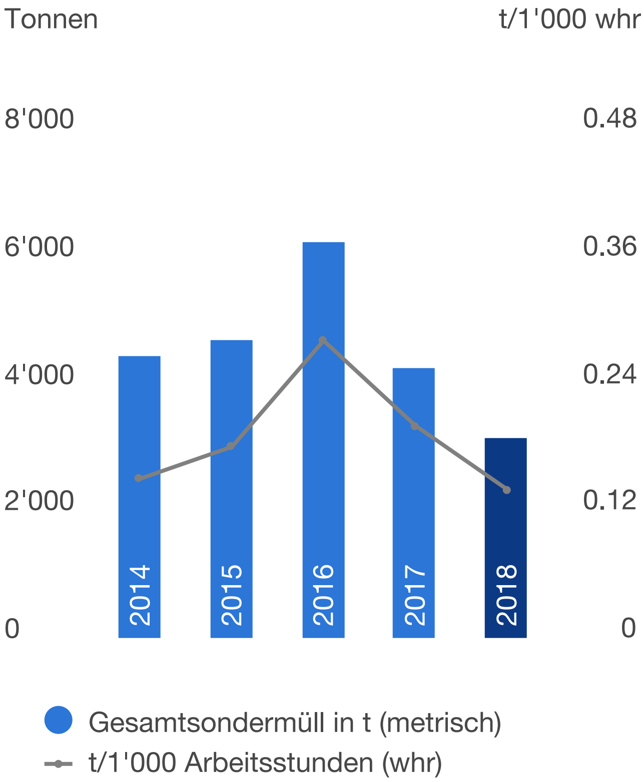
Geringere Umweltbelastung durch weniger Abfall und niedrigeren Energie- und Wasserverbrauch

Im Jahr 2018 konnte Sulzer die Umweltbelastungen insgesamt reduzieren. Der Gesamtenergieverbrauch sank leicht um 1.3% und der Energieverbrauch pro 1’000 Arbeitsstunden um 4.2%, was hauptsächlich auf Effizienzsteigerungen an den drei Hauptproduktionsstandorten der Division Applicator Systems (APS) zurückzuführen ist. Der Rückgang wäre noch stärker ausgefallen, wenn nicht mehrere Grossprojekte in der Division Pumps Equipment, bei denen Erdgas als Energieträger eingesetzt wurde, dem entgegengewirkt hätten.

Energieverbrauch



Sondermüll



Die Treibhausgasemissionen sanken im Jahr 2018 in absoluten Zahlen insgesamt um 2.2%. Dazu trug unter anderem eine Reduktion der Emissionen aus Fremdstrom (7%) und Fernwärme (18%) bei, die aus der Schliessung von zwei Sulzer-Werken in Europa resultierte. Flugreisen erhöhten dagegen die Emissionen leicht um rund 2%. Insgesamt sank der spezifische Treibhausgas-Fussabdruck (pro 1’000 Arbeitsstunden) um 5.5%. Diese überproportionale Reduktion ist im Wesentlichen auf eine Veränderung der Emissionsfaktoren durch einen verbesserten Energiemix zurückzuführen.

Die gesamte von Sulzer erzeugte Abfallmenge sank leicht auf 0.8 Tonnen pro 1’000 Arbeitsstunden. Der Anteil der auf Deponien entsorgten Abfälle stieg deutlich um 13 Prozentpunkte. Hauptgrund dafür ist eine Reduzierung der speziell zu behandelnden Sonderabfälle um 5 Prozentpunkte.

Der Wasserverbrauch von Sulzer sank um 20.1%, was zu einer Reduktion des Wasserverbrauchs von 23.0% pro 1’000 Arbeitsstunden führte. Dies ist das zweite Jahr in Folge mit stark reduziertem Wasserverbrauch. Der Grossteil dieser Reduktion (86%) ist auf ein verbessertes Wassermanagement in der Division APS zurückzuführen, die für mehr als die Hälfte des bei Sulzer insgesamt verbrauchten Wassers verantwortlich ist. Die Division legte im Jahr 2018 grossen Wert auf eine verbesserte Wasserwirtschaft in ihren Prozessen und Anlagen.

Kennzahlen

		2018	2017	Veränderung in +/– %
Energie	**GJ**	**860’753**	**872’335**	**–1.3**
Energieverbrauch je Arbeitsstunden (whr)	GJ je 1’000 whr	38.3	40.0	–4.2
Stromanteil	%	58.1	58.6	
Gasanteil	%	27.3	25.3	
Treibstoffanteil	%	10.4	9.7	
Brennstoffanteil	%	1.1	1.8	
Fernwärmeanteil	%	3.2	3.7	
Anteil anderer Quellen	%	<1	<1	
Treibhausgasemissionen (GHG)	**Tonnen CO_2 eq.**	**113’764**	**116’338**	**–2.2**
Treibhausgasemissionen je Arbeitsstunden (whr)	Tonnen CO_2 eq. je 1’000 whr	5.1	5.4	–5.5
GHG Scope 1 1)	Tonnen CO_2 eq.	18’979	18’366	–3.3
GHG Scope 2 2)	Tonnen CO_2 eq.	55’998	59’934	–6.5
GHG Scope 3 3)	Tonnen CO_2 eq.	38’797	38’038	–1.9
Abfälle	**Tonnen**	**18’142**	**19’029**	**–4.7**
Abfälle je Arbeitsstunden	Tonnen je 1’000 whr	0.8	0.9	–11.1
Nach Behandlungsart:				
Recycling	%	45.3	58.4	
Abfälle an Deponien/Abfallverbrennungsanlagen/andere Entsorgung	%	54.7	41.6	
Nach Gefährlichkeit:				
Nichtsonderabfall	%	82.6	77.5	
Sonderabfall	%	17.4	22.5	
Wasser	**m^3**	**930’530**	**1’163’905**	**–20.1**
Wasserverbrauch je Arbeitsstunden	m^3 je 1’000 whr	41.4	53.8	–23.0

1) Direkte Emissionen von Sulzer, die auf lokal genutzte Primärenergiequellen wie Erdgas und Treibstoffe zurückzuführen sind.
2) Indirekte Emissionen aus sekundären (umgewandelten) Energiequellen wie Strom und Fernwärme.
3) Indirekte Emissionen durch die Produktion und den Transport von Treibstoffen und Gasen, die nicht in den Scopes 1 und 2 erfasst sind.

Weitere Daten zur Nachhaltigkeit unter www.sulzer.com/sustainability.

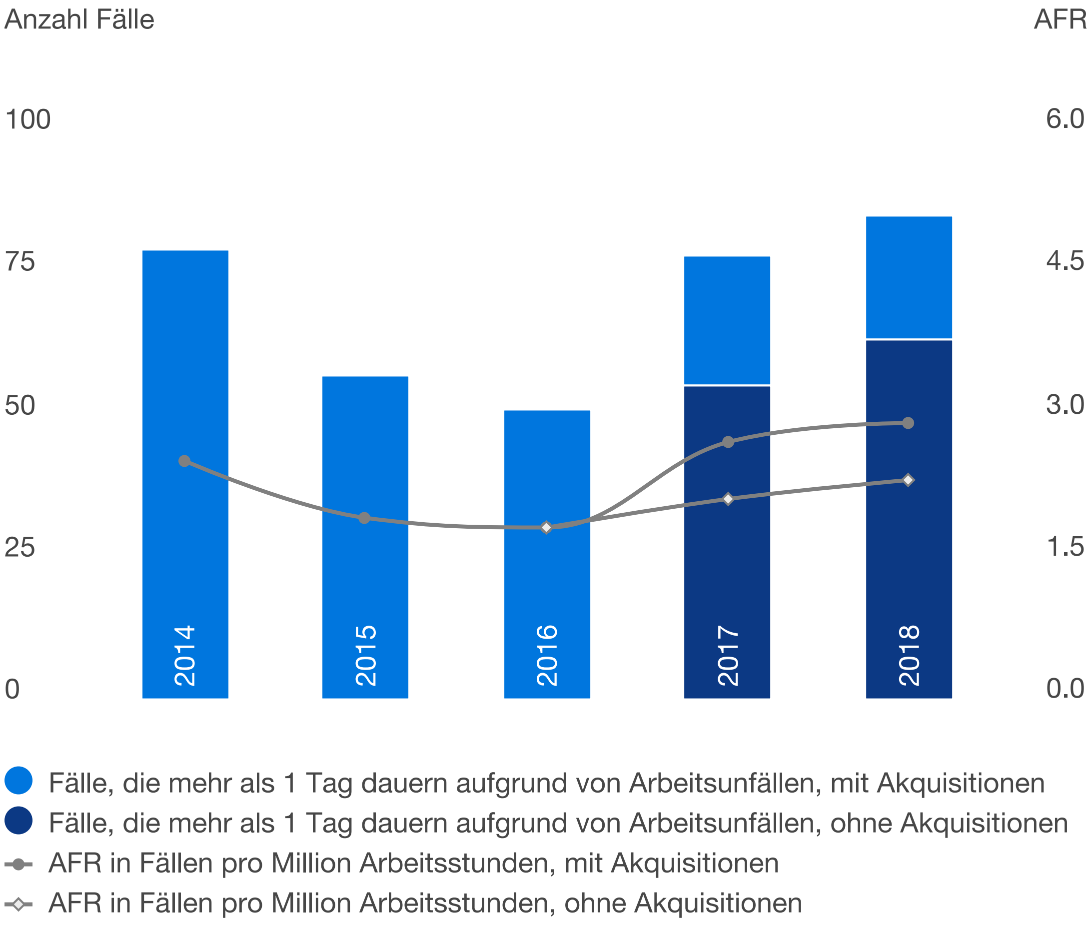
Produktiv in einem sicheren Arbeitsumfeld

Sicherheit hat oberste Priorität für Sulzer. Das Unternehmen möchte ein positives und anregendes Arbeitsumfeld schaffen, in dem die Mitarbeitenden ihrer Arbeit in absoluter Sicherheit nachgehen können. Mithilfe des Programms für sicheres Arbeitsverhalten setzt sich das Unternehmen anspruchsvolle Ziele, um seine Standards laufend zu überprüfen und die Arbeitssicherheit zu verbessern.

2018 war für Sulzer ein Jahr mit gemischten Ergebnissen bei der Arbeitssicherheit. Positiv ist zu vermerken, dass es wie im Vorjahr keine tödlichen Arbeitsunfälle gab. Zudem konnte der 2017 beobachtete Anstieg der Unfallhäufigkeit gebremst werden, wobei die Quote der Unfälle mit Ausfalltagen von Mitarbeitenden bei Sulzer nur um 7.0% stieg. Die allgemeine Unfallhäufigkeit ist bei Sulzer weiterhin signifikant niedriger als der Vergleichswert in der allgemeinen Industrie.

Die Schwere der Unfälle (Accident Severity Rate, ASR) scheint signifikant um 50.1% gestiegen zu sein, doch dieser Wert ist weitgehend auf eine regulatorische Abweichung in einem spezifischen Fall zurückzuführen. Dennoch erlitten immer noch 93 Arbeiter (83 Mitarbeitende von Sulzer und 10 Auftragnehmer) Unfälle mit Ausfalltagen.

Arbeitsunfälle



Die von Sulzer übernommenen Unternehmen waren nicht in der Lage, die Unfallsenkungsraten aufrechtzuerhalten, die im ersten Jahr ihrer Integration in das Sicherheitsprogramm von Sulzer erzielt worden waren. Doch angesichts der Grössenordnung der anfänglich erreichten Verbesserungen könnten diese Zahlen eine Stabilisierung widerspiegeln. Einige ältere Unternehmensteile des Konzerns verzeichneten 2018 ebenfalls eine höhere Unfallhäufigkeit. Nur die Division Chemtech vermochte ihr Ziel auf dem Weg zu einer Senkung der Unfallhäufigkeit auf weniger als 1.0 LTI (Lost Time Injuries) pro Million Arbeitsstunden zu erreichen.

Das Ziel: Unfallhäufigkeit von weniger als 1.0

Um diesem Trend entgegenzuwirken, lancierte Sulzer mehrere Initiativen, welche das persönliche Risikobewusstsein der Mitarbeitenden schärfen, sie zur Teilnahme am Sicherheitsprogramm bewegen und die Weitergabe von Kompetenzen fördern sollen.

Im Rahmen des Programms für sicheres Arbeitsverhalten nahmen Mitarbeitende von Sulzer im Lauf des Jahres an mehr als 50’000 Sicherheitsrundgängen und Beobachtungen teil – dies entspricht im Mittel rund 2’000 sicherheitsrelevanten Mitteilungen pro Million Arbeitsstunden. Um mehr Transparenz zu schaffen, erweiterte Sulzer die obligatorischen Meldevorschriften des Unternehmens um die Kategorie des „signifikanten Zwischenfalls“. Zu diesen Zwischenfällen zählt jedes Ereignis, das potenziell lebensverändernde Folgen haben könnte, selbst wenn der tatsächliche Zwischenfall nur ein Beinaheunfall war.

Des Weiteren soll die Weitergabe von Erfahrungen und Kompetenzen in allen Unternehmen von Sulzer gefördert werden. Dazu lancierte Sulzer ein globales ESH-Kompetenznetzwerk (ESH: Umwelt, Sicherheit, Gesundheit) mit dem spezifischen Auftrag, bewährte Verfahren sowie verfügbare Kompetenzen divisions- und unternehmensübergreifend zu erarbeiten beziehungsweise weiterzugeben. Diese Initiativen unterstützen Sulzer auf dem Weg zu einer Unfallhäufigkeit von weniger als 1.0.

Entwicklung der Mitarbeitenden

Sulzer hat 2018 verschiedene interne und externe Programme für die persönliche Entwicklung am Arbeitsplatz und für praxisorientierte Lernerfahrungen gesponsert und unterstützt. So legt das Sulzer Management Training (SMT) für neu ernannte Linienmanager den Schwerpunkt auf die Schaffung eines gemeinsamen Verständnisses der Managementgrundlagen von Sulzer. Im Jahr 2018 nahmen 80 Mitarbeitende an diesem Programm teil. Darüber hinaus führte Sulzer auf der Basis eines 2017 erfolgreich abgeschlossenen Pilotprojekts das „Leadership Orientation“-Programm durch. Es bietet leistungsstarken Mitarbeitenden die Möglichkeit, in einem vielfältigen globalen Team zu arbeiten, das in hohem Masse mit dem CEO und der Konzernleitung interagiert.

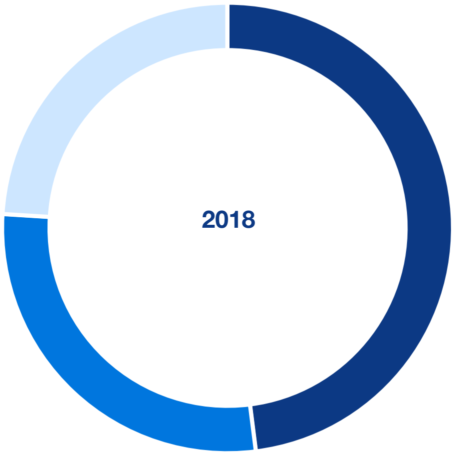
Sulzer verwendet weiterhin die cloudbasierte Lernplattform Learning Management System (LMS). Diese Plattform eröffnet den Zugang zu einer Reihe virtueller, internetbasierter Lernangebote.

Leistungs- und Potenzialbeurteilung

Sulzer setzt die weltweite Harmonisierung wichtiger Mitarbeiterführungsprozesse fort und nimmt jede Gelegenheit wahr, sie zu digitalisieren. Das Unternehmen hat den revidierten und vereinfachten Performance-Management-Prozess beibehalten – von der Zielsetzung bis zur jährlichen Beurteilung. Der Prozess fokussiert nun stark darauf, Leistungen zu steigern. Er ist eng mit Initiativen verbunden, die Kompetenzen schaffen sollen, wie Performance-orientierte Webinars und Coaching-Gespräche. Trotz der vielen kulturellen Veränderungen stellt Sulzer weiterhin sicher, dass die Mitarbeitenden ihre Ziele übertreffen können und für hervorragende Leistung angemessen honoriert werden.

2018 hat Sulzer zum ersten Mal das Entwicklungspotenzial der Mitarbeitenden nach Kriterien beurteilt, die divisions- und geschäftsbereichsübergreifend standardisiert sind. Neben Motivation und Fähigkeit (Leistung) wurden auch die von Sulzer definierten Verhaltensweisen bei der Beurteilung des Potenzials berücksichtigt. Die Werte und Verhaltensweisen sind eng mit der Förderung einer Hochleistungskultur verbunden.

Geografische Verteilung der Mitarbeitenden



- **48%** Europa, Naher Osten, Afrika
- **28%** Nord-, Mittel- und Südamerika
- **24%** Asien-Pazifik

Auf Vielfalt bauen, Inklusion betonen

Sulzer baut auf den Stärken und der Vielfalt seiner Mitarbeitenden auf. Alle Mitarbeitenden – unabhängig von kultureller Herkunft, Nationalität, Geschlecht und Alter – haben einzigartige Kompetenzen, mit denen sie zum Erfolg beitragen. Sulzer ist als Ganzes immer stärker als die Summe seiner Teile. Zur Förderung des Austauschs untereinander können Mitarbeitende an Arbeitsplatzrotationsprogrammen, Praktika und befristeten Entsendungen teilnehmen.

Sulzers Mitarbeitende verpflichten sich zu persönlicher Verantwortlichkeit, Integrität und ethischen Verhaltensweisen. Jeder Mitarbeitende unterzeichnet den Code of Business Conduct (CoBC). Mit Compliance-Schulungen und Auffrischungskursen zum CoBC wird sichergestellt, dass die Mitarbeitenden sich ihrer ethischen Verantwortung bewusst sind und entsprechend handeln.

Kennzahlen

		2018	2017	Veränderung in +/– %
Unfallhäufigkeitsrate (AFR)	Fälle je Million Arbeitsstunden	2.9	2.7	7.0
Schwere von Unfällen (ASR)	Ausfalltage je Million Arbeitsstunden	81.1	54.0	50.1
Schulung für Arbeitssicherheit und Gesundheitsschutz	Stunden	117’599	107’546	9.3
Fluktuation (freiwillige Austritte)	%	7.4	9.0	
Anteil Frauen (an der Belegschaft)	%	18.0	17.8	
Mitarbeitende	Anzahl Vollzeitstellen	15’572	14’732	5.7

Weitere Daten zur Nachhaltigkeit: www.sulzer.com/sustainability.

Corporate governance

English only

Corporate structure and shareholders

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

Sulzer Ltd is subject to the laws of Switzerland, in particular Swiss corporation and stock exchange law. The company also applies the Swiss Code of Best Practice for Corporate Governance. The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer has had a single share class and has separated the functions of Chairman of the Board of Directors and CEO for many years. Since the Annual General Meeting of April 8, 2009, only individuals who have never held executive positions at Sulzer have been members of the Board of Directors. Unless otherwise indicated, the following information refers to the situation on December 31, 2018. Further information on corporate governance is published at www.sulzer.com/governance. The information in the following section is set out in the order defined by the SIX Swiss Exchange directive on information relating to corporate governance (RLCG), with subsections summarized as far as possible. Sulzer's consolidated financial statements comply with International Financial Reporting Standards (IFRS), and in certain sections readers are referred to the Financial Reporting section in the Sulzer Annual Report 2018. Sulzer reports about the compensation of the Board of Directors and the Executive Committee in the Compensation Report.

Corporate structure

The operational corporate structure is shown in the graphic in the chapter "Board of Directors" of this Corporate Governance report and under note 3 to the "Consolidated financial statements" in the Financial Reporting section. Sulzer Ltd is the only Sulzer company listed on a stock exchange. It is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891/ISIN CH0038388911). On December 31, 2018, the market capitalization of all registered shares was CHF 2'674'177'979. Information on the major subsidiaries included in the consolidation can be found under note 36 to the "Consolidated financial statements." The list comprises all consolidated direct subsidiaries of Sulzer Ltd as well as all further consolidated subsidiaries that are strategically relevant.

Significant shareholders

According to notifications of Sulzer shareholders, one shareholder held more than 3% of Sulzer Ltd's share capital on December 31, 2018. As published on the SIX disclosure platform on May 29, 2018, Viktor Vekselberg held 48.82% of Sulzer shares. The shares are directly held by Tiwel Holding AG. For information on shareholders of Sulzer Ltd that have reported shareholdings of over 3% or a reduction of shareholdings below 3% in the financial year 2018, please refer to the website of the Disclosure Office of the SIX Swiss Exchange www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. For the positions held by Sulzer and information on shareholders, see note 23 to the "Consolidated financial statements." There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 3%.

Capital structure

Share capital

The fully paid-up share capital of Sulzer Ltd amounts to CHF 342’623.70 and is divided into 34’262’370 registered shares with a par value of CHF 0.01 per share. Each registered share entitles the holder to one vote at the Shareholders’ Meeting. There is neither any authorized nor conditional capital, nor are there any participation or dividend certificates. The latest version of the Articles of Association is available at www.sulzer.com/governance (under “Articles of Association”). There were no changes of the share capital in the last three financial reporting years.

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees shall only be entered in the share register with the right to vote if they meet the following conditions: the nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into a written agreement with the Board of Directors concerning its status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses, and number of shares of those individuals for whose accounts the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register if the above-mentioned conditions are not met (see also paragraph 6a of the Articles of Association at www.sulzer.com/governance). On December 31, 2018, eight nominees holding a total of 1’612’821 shares (4.71% of total shares) had entered into agreements concerning their status. No exceptions have been granted. All of those shares have been entered in the share register with voting rights. There are no transfer restrictions and no privileges under the Articles of Association. A removal or amendment of the transfer restriction requires a shareholders’ resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the restricted share units issued to the members of the Board of Directors (from 2009) as well as performance share and restricted share units issued to the members of the Executive Committee (in 2010 and yearly as from 2013) are set out under note 31 to the “Consolidated financial statements” and under note 11 to the “Financial statements of Sulzer Ltd.”

Board of Directors

Members of the Board of Directors are elected individually for one-year terms. At the Annual General Meeting of April 4, 2018, Jill Lee and Thomas Glanzmann did not stand for reelection to the Board of Directors. Hanne Birgitte Breinbjerg Sørensen and Lukas Braunschweiler were newly elected. All other members were reelected, and Peter Löscher was reelected as Chairman of the Board of Directors. On May 25, 2018, Axel Heitmann resigned from the Board of Directors. As of this date, the Board consists of seven members. None of them has ever held an executive position at Sulzer.

All members of the Board of Directors are non-executive. None of the members of the Board of Directors have ever belonged to the management of a Sulzer company or to the Executive Committee, nor do any significant business relationships exist between members of the Board of Directors and Sulzer Ltd or a subsidiary of Sulzer Ltd. Until June 5, 2018, Marco Musetti had an employment/advisory relationship with an affiliate of Sulzer's largest shareholder. During 2018, Mikhail Lifshitz indirectly held a 49% and Sulzer held a 51% stake of Sulzer Turbo Services RUS LLC, Russia. Sulzer acquired 100% of the share capital in December 2018. In addition, Mikhail Lifshitz is the Chairman of the Board and holds a 31% stake of Joint Stock Company ROTEC, Russia, which as of December 31, 2018, had sales with Sulzer companies in the total amount of approx. CHF 0.6 million. As of December 31, 2018, sales with related parties controlled by the major shareholder Renova Group amounted to CHF 3.1 million (2017: CHF 22.6 million). For further information, see note 32 to the "Consolidated financial statements." There are no interlocking directorships.

Elections and terms of office

The Articles of Association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. Each member is elected individually. The term for members of the Board of Directors is one year. At the Annual General Meeting of April 4, 2018, Jill Lee and Thomas Glanzmann did not stand for reelection to the Board of Directors. Hanne Birgitte Breinbjerg Sørensen and Lukas Braunschweiler were newly elected and all other Board members were reelected to the Board of Directors, all for terms of one year. On May 25, 2018, Axel Heitmann resigned from the Board of Directors, which from then on consisted of seven members: two from Austria, one from Denmark, one from Italy, one from Russia, and two from Switzerland. Professional expertise and international experience played a key role in the selection of the members. The members of the Board of Directors and their CVs can be viewed at www.sulzer.com/board.

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

Internal organization

The Board of Directors constitutes itself, except for the Chairman of the Board of Directors who is elected by the Shareholders' Meeting. The Board of Directors appoints from among its members the Vice Chairman of the Board of Directors and the members of the Board committees, except for the members of the Nomination and Remuneration Committee, who are elected by the Shareholders' Meeting. There are currently three standing Board committees (for their constitutions, see below):

- the Audit Committee (AC)
- the Nomination and Remuneration Committee (NRC)
- the Strategy Committee (SC)

The Board of Directors and Organization Regulations and the relevant Committee Regulations, which are published at www.sulzer.com/governance (under "Regulations"), define the division of responsibilities between the Board of Directors and the CEO. They also define the authorities and responsibilities of the Chairman of the Board of Directors and of the three standing Board committees.

The Board of Directors and its committees

BOARD OF DIRECTORS
Peter Löscher (Chairman)
Matthias Bichsel (Vice Chairman)
Lukas Braunschweiler (from April 4, 2018)
Thomas Glanzmann (until April 4, 2018)
Axel C. Heitmann (until May 25, 2018)
Jill Lee (until April 4, 2018)
Mikhail Lifshitz
Marco Musetti
Gerhard Roiss
Hanne Birgitte Breinbjerg Sørensen
(from April 4, 2018)

AUDIT COMMITTEE
Hanne Birgitte Breinbjerg Sørensen
(Chairwoman from April 4, 2018)
Thomas Glanzmann
(Chairman until April 4, 2018)
Axel C. Heitmann
(until May 25, 2018)
Gerhard Roiss (from April 4, 2018)
Marco Musetti (from May 25, 2018)

NOMINATION AND REMUNERATION COMMITTEE
Gerhard Roiss
(Chairman from April 4, 2018)
Thomas Glanzmann
(Chairman until April 4, 2018)
Marco Musetti
Hanne Birgitte Breinbjerg Sørensen
(from April 4, 2018)
Jill Lee (until April 4, 2018)

STRATEGY COMMITTEE
Peter Löscher (Chairman)
Matthias Bichsel
Mikhail Lifshitz
Lukas Braunschweiler
(from April 4, 2018)
Gerhard Roiss
(until April 4, 2018)

Operating principles of the Board of Directors and its committees

All decisions are made by the full Board of Directors. For each application, written documentation is distributed to the members of the Board of Directors prior to the meeting. The Board of Directors and the committees meet as often as required by circumstances. The Board of Directors meets at least five times per year, the Audit Committee and the Nomination and Remuneration Committee meet at least three times per year, and the Strategy Committee meets at least twice per year. In 2018, the Board held five half-day meetings in February, May, July, October and December, and 11 shorter Board meetings. The latter lasted up to one and a half hours on average. For further details, see the table below. The CEO, the CFO and the Group General Counsel (who is the Secretary of the Board of Directors) also generally attend the Board meetings in an advisory role. Other members of the Executive Committee are invited to attend Board meetings as required to discuss the midterm planning, the strategy and the budget, as well as division-specific items (such as large investments and acquisitions).

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

Board of Directors

					Attending meetings of the			
Name	**Nationality**	**Position**	**Entry**	**Elected until**	**Board**	**AC**	**NRC**	**SC**
Peter Löscher	Austria	Chairman, Chairman SC	March 2014	2019	13			1
Matthias Bichsel	Switzerland	Vice Chairman of the Board, member SC	March 2014	2019	15			1
Hanne Birgitte Breinbjerg Sørensen[1]	Denmark	Chairwoman AC, member NRC	April 2018	2019	12	3	4	
Lukas Braunschweiler[1]	Switzerland	Member SC	April 2018	2019	10			1
Thomas Glanzmann[2]	Switzerland	Chairman NRC, Chairman AC	April 2012	2018	1	1	2	
Axel C. Heitmann[3]	Germany	Member AC	April 2016	2019	10	1		
Jill Lee[2]	Singapore	Chairwoman AC, member NRC	April 2016	2018	1	1		
Mikhail Lifshitz	Russia	Member SC	April 2016	2019	12			1
Marco Musetti	Italy/ Switzerland	Member NRC and AC[4]	April 2011	2019	11	3	6	
Gerhard Roiss	Austria	Chairman NRC[1], member SC[2] and AC[1]	April 2015	2019	16	3	6	

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

1) From April 4, 2018.

2) Until April 4, 2018.

3) Until May 25, 2018.

4) From May 25, 2018.

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

According to Sulzer's Articles of Association (published at www.sulzer.com/governance, under "Articles of Association"), the maximum number of additional mandates held by members of the Board of Directors outside the Sulzer group is ten (of which a maximum of four mandates may be with listed companies) (Art. 33). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association (Art. 33 paragraphs a, b and c).

Audit Committee

The Audit Committee (members listed above) assesses the midyear and annual consolidated financial statements and, in particular, the activities – including effectiveness and independence – of the internal and statutory auditor, as well as the cooperation between the two bodies. It also assesses the Internal Control System (ICS), risk management and compliance; at least one meeting per year is dedicated to risk management and compliance. The regulations of the Audit Committee can be viewed at www.sulzer.com/governance (under "Regulations"). The CEO, the CFO, the Group General Counsel (at least partially), the Head of Group Internal Audit (who is also the Secretary of this committee) and the external auditor-in-charge, attend the meetings of the Audit Committee. In 2018, the Audit Committee held four meetings in February, July, September and December. The meetings lasted on average between two and three hours. The statutory auditor attended all of these meetings. Internal experts, such as the Group General Counsel and the Heads of Group Internal Audit, Group Treasury, Group Accounting, Group IT, Group Compliance and Risk Management, and Group Taxes gave presentations to the Audit Committee in 2018. In February, the Audit Committee is informed of compliance exposures as a result of periodic risk assessments, and it receives an overview of compliance cases under investigation. In September, the Audit Committee is briefed on the present state of risk management within the company and on the results of the risk management process – a process to systematically identify and evaluate significant risks and introduce countermeasures. In the same meeting, an update on Sulzer's compliance approach, including the respective ongoing and planned activities, is provided. The major current compliance cases (if any) are reported to and discussed by the Audit Committee regularly.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (members listed above) assesses the criteria for the election and reelection of Board members and the nomination of candidates for the top two management levels. It deals with succession planning. It also regularly assesses the compensation systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets for the latter) on behalf of the Board of Directors and in accordance with its specifications. It carries out broadly based compensation benchmarks with an international comparison group, supported by studies of consulting firms such as Mercer and Willis Towers Watson, and it scrutinizes the work of internal and external consultants. The members of the Nomination and Remuneration Committee are elected by the Shareholders' Meeting. The regulations of the Nomination and Remuneration Committee can be viewed at www.sulzer.com/governance (under "Regulations"). The CEO and the Chief Human Resources Officer (who is also the Secretary of this committee) attend the meetings of the Nomination and Remuneration Committee. In 2018, four regular meetings were held in January, July, September and December, taking on average between one and two hours. Furthermore, the NRC held two meetings by conference call (30 to 45 minutes). External experts from Mercer and Agnes Blust Consulting AG provided benchmarking services (see section "Method of determination of compensation: benchmarking and annual target-setting process" in chapter "Compensation governance and principles" of the Compensation Report) and supported the Nomination and Remuneration Committee in reviewing the compensation packages of the members of the Board of Directors and the Executive Committee.

Strategy Committee

The Strategy Committee (members listed above) advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances and joint ventures) as well as strategic planning and definition of development priorities. The regulations of the Strategy Committee can be viewed at www.sulzer.com/governance (under "Regulations"). In 2018, one meeting in September took place, taking three hours. The CEO and the CFO attended the meeting.

Division of powers between the Board of Directors and the CEO

The Board of Directors has largely delegated executive management powers to the CEO. However, it is still responsible for matters that cannot be delegated in accordance with Art. 716a of the Swiss Code of Obligations. These matters include corporate strategy, the approval of midterm planning and the annual budget, as well as key personnel decisions and the preparation of the Compensation Report. The same applies to acquisition and divestiture decisions involving an enterprise value exceeding CHF 30 million, investments in fixed assets exceeding CHF 15 million, major corporate restructurings, approval of dispute settlements with an impact on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million, as well as other matters relevant to the company, and decisions that must be made by law by the Board of Directors. The competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the organizational regulations at www.sulzer.com/governance (under “Regulations”).

Management structure

Board of Directors

Chief Executive Officer
Greg Poux-Guillaume*

Chief Financial Officer
Thomas Dittrich (until March 18, 2018)
Jill Lee (from April 5, 2018)

Division President Pumps Equipment
Michael Streicher (until December 31, 2018)
Frédéric Lalanne (from January 1, 2019)

Chief Commercial and Marketing Officer**
Frédéric Lalanne (until December 31, 2018)

Division President Rotating Equipment Services
Daniel Bischofberger

Chief Human Resources Officer
Armand Sohet

Division President Chemtech
Torsten Wintergerste

*CFO ad interim from March 19 to April 4, 2018
**As of January 1, 2019, this function was renamed to Group Business Development. It is no longer part of the Executive Committee.

Information and control instruments

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

Group Internal Audit

Group Internal Audit reports functionally directly to the Chair of the Audit Committee, but administratively to the CFO. Meetings between internal audit and the statutory auditor take place regularly. They are used to prepare for the meetings of the Audit Committee, to review the interim and final reports of the statutory auditor, to plan and coordinate internal and external audits, and to prepare audit instructions for the attention of the statutory auditors of the individual companies. Group companies are audited by Group Internal Audit based on an audit plan that is approved by the Audit Committee. Depending on the risk category, such audits are carried out on a rotational basis either annually or every second, third or fourth year. Group Internal Audit carried out 49 audits in the year under review. One of the focal points is the Internal Control System (ICS). The results of each audit are discussed in detail with the companies and (where necessary) the divisions concerned, and key measures are agreed upon. The Chairman of the Board of Directors, the members of the Audit Committee, the CEO, the CFO, the Group General Counsel as well as the respective Division President and other line managers of the audited entity receive a copy of the audit report. Significant findings and recommendations are also presented to and discussed with the Executive Committee and the Group General Counsel during the monthly Executive Committee meetings. Twice a year, the divisions present the status of key measures agreed on. A follow-up process is in place for all Group internal audits, which allows efficient and effective monitoring of how the improvement measures are being implemented. Each year, the Head of Group Internal Audit compiles a report summarizing activities and results. This report is distributed to members of the Board of Directors and the members of the Executive Committee, and it is presented to the Executive Committee and the Audit Committee. It is discussed in both committees and, thereafter, reported to the Board of Directors.

Risk management and compliance

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

Strong values and building up a strong ethical and compliance culture

Sulzer puts a high priority on conducting its business with integrity, in compliance with all applicable laws and internal rules (“a clean deal or no deal”), and on accepting only reasonable risks. Sulzer follows a “zero tolerance” compliance approach. The Board of Directors and the Executive Committee are convinced that compliant and ethical behavior in all aspects and on all levels is a precondition for successful and sustainable business. The ethical tone is set at the top, carried through to the middle, and is transmitted to the entire organization. Sulzer also fosters a speak-up culture and encourages employees to address potentially non-compliant behaviors. Retaliation against good faith whistleblowers will not be tolerated.

Risk assessment

As part of Sulzer’s integrated risk management process, compliance risks are assessed regularly and mitigated with appropriate and risk-based actions. The results are discussed both with the management and with the Audit Committee. The Audit Committee dedicates at least one full meeting per year to risk management and compliance. An overview of the main risks and corresponding mitigation measures is provided in the chapter “Risk management” of this corporate governance report.

Internal rules and tools

Sulzer has a Code of Business Conduct, which can be viewed in 18 languages at www.sulzer.com/governance (under “Code of Business Conduct”). Every employee of the company (including employees of newly acquired businesses) has to confirm in writing that he or she has read and understood this code, and will comply with it. Every member of the Sulzer Management Group (approximately 150 managers), the heads of the operating companies, the headquarters, regional and local compliance officers as well as the legal entity controllers must reconfirm this compliance commitment in writing annually. Furthermore, Sulzer joined the UN Global Compact initiative in 2010. The latest Communication on Progress Report was published on July 25, 2018, and can be downloaded from www.sulzer.com/sustainability or directly here.

Rules

Although Sulzer follows a behavior- and principle-based approach, compliance directives and processes have been implemented as elements of the governance framework. Sulzer focuses on the major compliance risks, e.g.:

- Bribery and corruption risks: Sulzer has had a group-wide antibribery and anticorruption program in place since 2010. This program includes a Web-based process that addresses the due diligence of intermediaries, a corporate-wide directive for offering and receiving gifts and hospitalities, and an e-training (in 13 languages) to familiarize Sulzer employees with the requirements of the directive.
- Antitrust and anticompetition risks: Sulzer has an antitrust guideline and a directive addressing behaviors in trade associations in place.
- Export control risks: Employees involved in export activities have to comply with all applicable export and re-export laws and regulations. Sulzer rolled out and implemented its global Trade Control Directive in all legal entities concerned. Every exporting legal entity has an ICP (internal control program) in place which includes processes, defines responsibilities on export control matters and other requirements important to comply with export compliance laws and regulations.
- Further risks (e.g. stock exchange laws and regulations; human-resource-related issues; intellectual property and know-how; privacy and data protection laws; product liability; environment, quality, safety and health, etc.): Focused rules and processes address these and many other potential risks. Sulzer has processes that ensure compliance with insider laws as well as stock exchange reporting and notification duties. Local compliance officers performed 88 face-to-face compliance training sessions in 2018.

Tools

Sulzer has a compliance hotline and an incident reporting system that provides employees with one of many options for reporting (potential) violations of laws or internal rules. Reports can be made anonymously or openly via a free hotline or a dedicated website. The company has a directive that sets clear rules for internal investigations. Further tools are available to all employees on Sulzer's intranet (e.g. presentations addressing the major exposures; draft agreements; sales and procurement handbooks with compliance-specific explanations and standard clauses). Sulzer has a compliance risk assessment process in place to identify and assess potential compliance risks on a local entity level and to define appropriate measures. For newly acquired companies, Sulzer set up a post-merger integration process consisting of a systematic post-merger compliance risk analysis, which provides the foundation for risk-based mitigation actions.

Organization

Since 2013, Sulzer has had a "Legal, Compliance and Risk Management" group function (headed by the Group General Counsel). Within this organization, a line reporting structure is in place for the three regions: Americas (AME); Europe, the Middle East and Africa (EMEA); and Asia-Pacific (APAC). The local Compliance Officers ultimately report – via Regional Compliance Officers – to the Group General Counsel (who is also the Chief Compliance Officer). In addition, the headquartered Compliance and Risk Management team steers and runs the group-wide compliance program and all compliance investigations. The Head of Risk Management and Compliance also reports to the Group General Counsel. To ensure the consistent rollout of Group Compliance initiatives, the compliance organization uses direct reporting lines. The Group General Counsel informs the Board of Directors and the Executive Committee regularly about legal matters and key changes in legislation that may affect Sulzer, as well as on important litigation. Twice a year, the Audit Committee receives a report about any pending or threatened litigation with worst-case exposure exceeding CHF 0.5 million. Further information on reports to the Audit Committee is provided in the “Audit Committee” section above.

Awareness building and trainings

Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (new programs are rolled out and existing programs are updated every year), in person or through Web conferences. In 2018, Sulzer employees completed over 22’400 e-learning courses.

Controls and sanctions

The Group Function Legal supports the audits done by Group Internal Audit following the same audit process. The Group Function Environment, Safety and Health (ESH) carried out eight audits and organized 16 external health and safety compliance audits. The focal points were primarily environmental protection and workplace safety. The results of each of these audits were discussed directly with the responsible managers, and an agreement was reached on any improvements required. The latest status of the company’s risks relating to environment, safety and health is reported to the Audit Committee once a year. Apart from these formal audits, internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication) were carried out during 2018 and at least nine employees had to leave Sulzer because of violations of Sulzer’s Code of Business Conduct. Others received warnings or were transferred internally. However, most of the reports received concerned non-material issues.

Continuous improvement

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

CVs of the members of the Sulzer Board of Directors can be found at www.sulzer.com/board.

Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Human Resources Officer (CHRO), and three Division Presidents. Thomas Dittrich stepped down as CFO on March 18, 2018. Greg Poux-Guillaume took over as CFO ad interim until April 4, 2018. Jill Lee was appointed as CFO and member of the Executive Committee from April 5, 2018. From January 1, 2019, Frédéric Lalanne succeeded Michael Streicher as President of the Pumps Equipment division. The Chief Commercial and Marketing (CCMO) role that Frédéric Lalanne held no longer exists as such and has been replaced by a Head of Business Development role which is not part of the Executive Committee.

The Board of Directors delegates executive management powers to the CEO. The CEO delegates the appropriate powers to the members of the Executive Committee. The Division Presidents define and attain business targets for their respective divisions in accordance with group-wide goals. The Board of Directors and Organization Regulations govern, among other things, the transfer of responsibilities from the Board of Directors to the CEO (the regulations can be viewed at www.sulzer.com/governance, under “Regulations”). There are no management contracts with third parties. None of the Executive Committee members has a contract with a notice period exceeding 12 months. The members of the Executive Committee and their CVs can be viewed at www.sulzer.com/management.

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

No member of the Executive Committee may hold more than five mandates, of which no more than one may be in listed companies (Articles of Association, Art. 33; published at www.sulzer.com/governance, under “Articles of Association”). Exceptions (e.g. for mandates held at the request of Sulzer or mandates in charity organizations) are defined in the Articles of Association (Art. 33, paragraphs a, b and c).

CVs of the members of the Executive Committee can be found at www.sulzer.com/management.

Shareholder participation rights

Restrictions and representation of voting rights

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

Statutory quorum

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

Convocation of the Shareholders’ Meeting and submission of agenda items

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

Entry in the share register

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

Independent proxy

At the Annual General Meeting of April 4, 2018, Proxy Voting Services GmbH was elected as the independent proxy for a term of office extending until completion of the next Annual General Meeting. The Articles of Association do not contain rules on the granting of instructions to the independent proxy and the electronic participation in the Shareholders’ meeting which deviate from the default Swiss law.

Takeover and defense measures

The Articles of Association contain no opting-out or opting-up clauses. If there is a change of control, all allocated restricted share units (RSU) are automatically vested. Also, the performance share units (PSU) are converted into shares on a pro rata basis and based on actual achievement of the performance targets, without being subject to blocking restrictions. A change of control includes an acquisition of, or a public takeover offer in relation to, more than 33.33% (RSU) or 50% or more (PSU) of the voting rights.

Auditors

The statutory auditor is elected at the Annual General Meeting for a one-year term of office. KPMG AG has been acting as the statutory auditor since 2013. The acting external auditor-in-charge is François Rouiller (since March 27, 2013). The external auditor-in-charge is replaced every seven years. The Audit Committee is in charge of supervising and monitoring the statutory auditor, and it reports to the Board of Directors (see section “Audit Committee” in the chapter “Board of Directors” of this corporate governance report). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The external auditor-in-charge and his deputy were invited to attend meetings of the Audit Committee. In 2018, the statutory auditor was present at all four Audit Committee meetings. The Audit Committee or its Chairperson meets separately with the Head of Group Internal Audit and the statutory auditor at least once a year to assess (among other things) the independence of the internal and statutory auditors. The Audit Committee evaluates the work done by the statutory auditor based on the documents, reports and presentations provided by the statutory auditor, as well as on the materiality and objectivity of their statements. To do so, the committee gathers the opinions of the CFO and the Head of Group Internal Audit. The Audit Committee reviews the fee paid to the auditor regularly and compares it with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO and approved by the Board of Directors. Further information on the auditor, in particular the auditor’s fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed under note 33 to the “Consolidated financial statements.” All advisory services provided outside the statutory audit mandate (essentially, consulting services related to audit and accounting as well as legal and tax advisory services) are compliant with the applicable independence rules.

Risk management

At Sulzer, compliance risks are assessed regularly as part of the company's integrated risk management process. The results are discussed with the management and the Audit Committee.

Risk	Risk exposure	Main loss controls
External and markets		
Market assessment	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	— Continuous monitoring and assessment of market developments — Systematic midrange planning based on market developments and expectations
Geopolitical shocks	A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.	— Monitoring of exposure in critical countries — Monitoring of debt situation of countries and banks — Continuous monitoring of raw material prices and inflation indicators — Sulzer's global presence mitigates the effect of geopolitical shocks
Strategic		
Innovation	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	— A phased process, technical risk manageability assessments and key performance indicators to ensure quality of the development — Product Development Council with strong focus on strategic plans and digitalization — Prototypes and own test beds to test and validate products before market release — Core Technology Council for research of basic technology — Focus on innovation with strategic customers — Innovation and ideation projects — Implementation of an expert development program for key critical resources
Operational		
Attraction and retention	Failure to attract, retain and develop people could lead to a lack of critical skills and knowledge, which hinders both daily operations and growth potential.	— Ensuring that Sulzer's people and performance efforts are anchored to the company's values and behaviors — Ongoing feedback through employee opinion survey "Voice of Sulzer" — Robust internal communications strategy — Ongoing engagement in workshops and collaborative activities — Visibility and access to creating development experiences and opportunities — Consistent approach to salary grading and benchmarking
Health and safety	An unsafe working environment could lead to harm to people, reputational damage, fines as well as liability claims and could have a serious economic impact.	— Health and safety directives, guidelines, programs (e.g. Safe Behavior Program) and training — OHSAS 18001 certifications — Monthly health and safety controlling and regular audits — Global network of health and safety officers
Environmental	Environmental damage could lead to harm to people and nature, reputational damage, fines as well as liability claims and could have a serious economic impact.	— Mitigation in comprehensive environmental due diligence (EDD) projects for acquisitions and divestitures — Elimination of environmentally damaging substances through Prohibited Substances List

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

Information policy

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

Key dates in 2019

- February 14: Annual results 2018
- April 3: Annual General Meeting 2019
- April 17: Order intake Q1 2019
- July 24: Midyear results 2019
- October 23: Order intake Q1–Q3 2019

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

Material changes

The text makes reference to any material changes occurring between the balance sheet date (December 31, 2018) and the copy deadline for the Annual Report (February 12, 2019).

Compensation report

English only

Pay for sustainable performance

Winterthur, February 14, 2019

Dear Shareholder,

I was honored this year to be given the chair of the Nomination and Remuneration Committee of Sulzer, succeeding Thomas Glanzmann who stepped down from the position. We are all grateful to Thomas for his many contributions and dedication to the committee. I was also pleased to welcome Hanne Birgitte Breinbjerg Sørensen as a new committee member.

The committee will continue to ensure that the Sulzer compensation structure reflects best practice standards. The Sulzer compensation policy enables the company to attract, retain and motivate the talents that are key to the company's performance and long-term success. To that end, our compensation programs have been designed to reward sustainable performance.

During the reporting year, the Board of Directors and the Nomination and Remuneration Committee reviewed Sulzer's compensation policy and programs to ensure that they are aligned with the company's strategy and shareholders' interests. We also reviewed our compliance with the regulatory requirements and concluded that no fundamental changes were necessary. Furthermore, the Nomination and Remuneration Committee performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment at year end. We also reviewed the compensation of the members of the Board and of the Executive Committee and oversaw the preparation of the Compensation Report presented to the 2019 Annual General Meeting (AGM).

We appointed Frédéric Lalanne, Chief Commercial and Marketing Officer (CCMO), as President, Pumps Equipment division to build on the many advances achieved in 2018 in our Pumps Equipment division. Frédéric replaced Michael Streicher who stepped down from the Executive Committee to assume his new responsibilities as Global Head, Water Pumps Business.

On the following pages, you will find further information on our activities and on the Sulzer compensation system and governance. This Compensation Report will be submitted for a non-binding, consultative shareholders' vote at the AGM in April 2019. Shareholders will also vote on the maximum aggregate compensation amount to the Board for the term from the 2019 AGM to the 2020 AGM and on the maximum aggregate Executive Committee compensation for 2020.

Looking ahead, we are committed to regularly assess and review our compensation programs to ensure that they are effective. We will also continue the open dialogue with you, our shareholders, and your representatives.

Sincerely,

Gerhard Roiss
Chairman of the Nomination and Remuneration Committee

Compensation governance and principles

Compensation policies and plans at Sulzer reward performance, sustainable growth and long-term shareholder value creation. The compensation programs are competitive, internally equitable, straightforward and transparent. The Compensation Report is prepared in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance), the SIX Swiss Exchange Directive on Information relating to Corporate Governance (RLCG) and the principles of the Swiss Code of Best Practice for Corporate Governance.

Nomination and Remuneration Committee

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

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

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

The table below describes the levels of authority:

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

The NRC consists of a maximum of three members who are non-executive and independent and who are elected individually and annually by the Shareholders' Meeting for the period of office until the following ordinary Annual General Meeting. At the 2018 Annual General Meeting, Marco Musetti was reelected as member of the NRC, while Hanne Birgitte Breinbjerg Sørensen and Gerhard Roiss (Chairman) were newly elected as members of the NRC because previous members Thomas Glanzmann and Jill Lee did not stand for reelection.

The NRC meets as often as the business requires, but at least twice a year. In 2018, the NRC held four regular meetings and two extraordinary conference calls that were attended by all members. Besides the standard agenda items, the NRC concentrated its efforts on the implementation of the new global job evaluation methodology, the impacts on the variable compensation models of the US sanctions and resulting short-term share price drop in April as well as executive and board compensation benchmarking processes (in cooperation with third-party providers).

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

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

The NRC may appoint third-party companies to provide independent advice or perform services as it deems necessary for the fulfillment of its duties. In the reporting year, Mercer and Agnes Blust Consulting AG provided benchmarking services on compensation matters. They have no other mandate with Sulzer.

Shareholders' role and engagement

The company is keen to receive shareholders' feedback on the compensation policy and programs, and it began the practice of holding a consultative vote on the Compensation Report in 2011. Further, the company regularly meets with shareholders and shareholder representatives to understand their perspectives. At the Annual General Meeting, shareholders approve the maximum aggregate compensation amounts for the Board of Directors and for the Executive Committee in an annual binding vote.

Further, the Articles of Association regulate the principles of compensation. They include the following provisions related to compensation (read the full version of the Articles of Association at www.sulzer.com/governance, under "Articles of Association"):

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

Compensation principles

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

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

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

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

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

Compensation benchmark

The comparison group reflects Sulzer’s ambitious business strategy:

- ABB
- Clariant
- Georg Fischer
- Lonza
- OC Oerlikon
- Rieter
- Schindler
- Sika
- Sonova
- Tetra Laval Group

Actelion and Syngenta previously also formed part of the peer group but have now been removed after being taken over by investors and delisted from the stock exchange. Apart from these two removals, the peer group remained unchanged and no replacements were made, as the NRC considered the remaining peer group to continuously represent the most relevant and suitable group of companies for Sulzer’s compensation benchmarking.

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

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

Performance appraisal

→ **Target setting**
Definition of two to four individual performance objectives at the beginning of the year

→ **Performance assessment**
Performance assessment at year-end

→ **Compensation determination**
Determination of incentive payouts on the basis of the company’s/division’s performance and achievement of individual objectives

Details on the targets and on the performance assessment can be found in the chapter “Compensation architecture”.

Compensation architecture

Compensation of the Board of Directors

The compensation of the Board of Directors is governed by a compensation regulation, is reviewed by the Nomination and Remuneration Committee (NRC) annually and, if necessary, adjusted by a decision of the full Board of Directors based on a proposal by the NRC.

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. Each RSU represents a right to receive a Sulzer share free of charge after a certain period, as further detailed below. Further, Board members are entitled to a lump sum to cover business expenses. The RSU component strengthens the long-term alignment of the interests of the Board members with those of the shareholders. To reinforce the focus of the Board of Directors on the long-term strategy and to strengthen its independence from the Executive Committee, the compensation of the Board of Directors contains no performance-related elements and Board members are not entitled to pension benefits.

The amount of compensation for the Chairman and for the other members of the Board of Directors is determined based on the relevant compensation benchmarks (see box “Compensation benchmark” in section “Compensation governance and principles” of this Compensation Report). The compensation reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them, and the expected time required to fulfill their duties. In 2018, an independent external third-party conducted a board compensation benchmark for Sulzer. Based on the resulting data, the NRC concluded that Sulzer’s Board compensation structure and amounts were broadly in line with Sulzer’s desired position in the market for the time being, however, it remains subject to review and potential adjustments in 2019. The ongoing Board compensation structure and amounts are described in the table below.

Annual compensation of the Board of Directors[1)]

in CHF	Cash component (net of social security contributions)	Grant value of restricted share units (net of social security contributions)	Lump-sum expenses
Base fee for Board Chairmanship[2)]	420’000	250’000	10’000
Base fee for Board Vice Chairmanship	100’000	155’000	5’000
Base fee for Board membership	70’000	125’000	5’000
Additional committee fees:			
Committee Chairmanship	40’000		
Committee membership	25’000		

1) Compensation for the period of service (from AGM to AGM).

2) The Chairman of the Board of Directors does not receive additional remuneration for committee activities.

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

Compensation of the Executive Committee

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

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

Fixed compensation:

- Base salary (cash)
- Retirement and fringe benefits

Variable compensation:

- Short-term annual bonus (cash)
- Long-term incentives (performance share plan)

Overview of compensation elements

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

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2018)
Main parameters	Function, level of role, profile of incumbent (skill set, experience)	Pension and social security contributions, fringe benefits	Achievement of financial and individual objectives	Achievement of long-term, company-wide objectives
Key drivers	Labor market	Protection against risks, labor market	Operational EBITA, sales, operational operating net cash flow (opONCF)	Operational EBITA growth, operational return on average capital employed adjusted (opROCEA), relative total shareholder return (TSR)
Link to compensation principles	Competitive compensation	Competitive compensation	Pay for performance	Sustainable growth and value creation
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSU) settled in shares
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1’440’000 for the CEO and between CHF 330’000 and CHF 400’000 for the other members of the Executive Committee (EC). Vesting payout percentage is capped at 250% and vesting value is capped at CHF 3’600’000 for the CEO and at CHF 825’000 to CHF 1’000’000 for the other members of the EC.
Grant/payment date	Monthly	Monthly and/or annually	March of the following year	July 1, 2018
Performance period	–	–	1 year (January 1, 2018–December 31, 2018)	3 years (January 1, 2018–December 31, 2020)
Vesting date	–	–	–	December 31, 2020

The PSP grant date was set to be July 1, 2018 in consideration of the share price collapse in April 2018. Further information can be found in the section “Performance share plan” below.

Base salary (fixed, in cash)

The base salary is determined at the discretion of the Board of Directors based on the market value of the respective position and the incumbent’s qualifications, skills set and experience. Positions are evaluated according to the Mercer International Position Evaluation (IPE). The IPE is a proprietary global job evaluation methodology based on a series of business-related factors to determine internal job levels. Application of the IPE methodology provides an organizing framework based on a job’s value within the context of an organization and the wider commercial environment. The IPE implementation follows a simple process focusing on organization structure, the complexities of the business and the alignment of jobs to the business. The IPE serves as a basis to build the internal salary structure. In 2018, the IPE continued to be rolled out and implemented on a group-wide basis.

Bonus (variable, performance-based, cash remuneration)

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

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

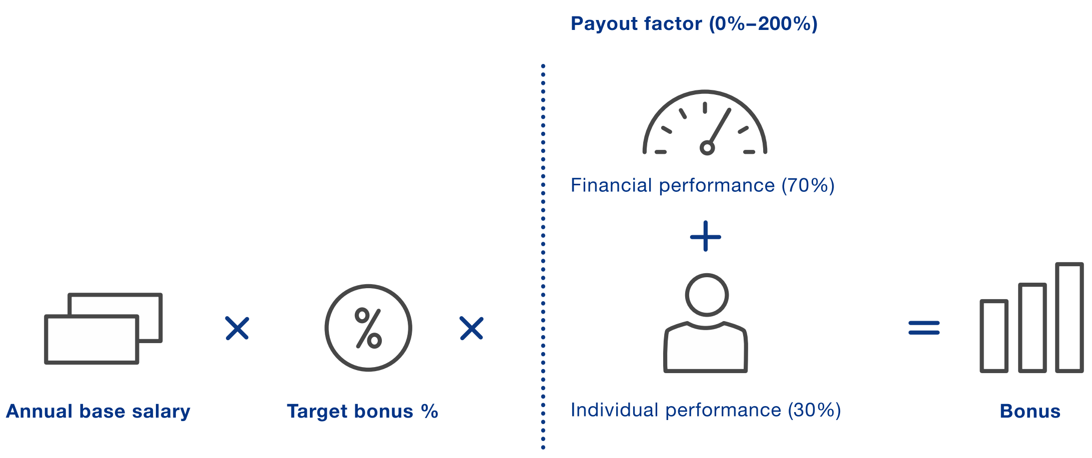
Category	Weight	Objectives	Rationale		CEO/CFO/ CHRO/ CCMO	Division President
Financial performance	70%	Operational EBITA in % of sales	Measure of profitability (bottom line)	Sulzer	25%	7.5%
				Division		17.5%
		Sales	Measure of growth (top line)	Sulzer	25%	7.5%
				Division		17.5%
		Operational operating net cash flow (opONCF)	Measure of cash generated by the revenues	Sulzer	20%	6%
				Division		14%
Individual performance	30%	Sulzer Full Potential initiatives (SFP)	Sulzer's transformation into a truly market-oriented, globally operating and integrated company	Individual	10%	10%
		Growth initiatives	Include initiatives that support the growth of Sulzer, such as M&A projects, breaking into new markets or new accounts	Individual	10%	10%
		Faster and better	Initiatives focused on the profitability of Sulzer, with objectives linked to speed ("faster") and quality ("better")	Individual	10%	10%
				Total	**100%**	**100%**

The objectives are set within the annual target-setting process. For each financial objective, the following parameters are set upfront:

- An expected level of performance ("target"), the achievement of which leads to a payout factor (on the respective performance metric) of 100%.
- A minimum level of performance ("threshold") below which the respective payout factor is zero.
- A maximum level of performance ("cap") above which the respective payout factor is capped at 200%. With respect to the financial objectives, a performance of 200% of the target figure is required to achieve a payout factor of 200%.

Between threshold and target, as well as between target and cap, the payout factor is interpolated linearly. The weighted average of the resulting payout factors on each performance metric will be multiplied by the target bonus amount to derive the actual bonus which will be paid out in March of the following year.

Bonus calculation



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

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

A PSU is a conditional right to a certain number of shares of the company, subject to ongoing employment and to the achievement of strategic/financial performance targets on a group level over the three-year performance period. The performance share plan (PSP) rewards selected participants based on the performance of the company over three years and aligns the interests of the participants with those of the shareholders by delivering a substantial portion of the compensation as company equity. This emphasizes and supports Sulzer's focus on pay for performance and sustainable growth, with a long-term perspective and additional retention effect on employees. Furthermore, the actual delivery of shares is dependent on the achievement of strategic and financial targets on a group level, thus strengthening the group perspective and a shared perspective with investors and shareholders.

The PSP is a plan with annual grants and is available exclusively to the members of the Executive Committee and of the Sulzer Management Group (defined by the job level in the IPE framework). The grant value is determined based on the level of the executive's role. It amounts to CHF 1'440'000 for the CEO and to between CHF 330'000 and CHF 400'000 (determined by the Board of Directors) for the other members of the Executive Committee. The number of performance share units (PSU) granted is calculated by dividing the grant value by the three-month volume-weighted average share price before the grant date. The PSU grant date in 2018 was shifted to July 1, in line with the flexibility provided for by the PSP regulation, to allow the share price to stabilize after the important fluctuations triggered by the US sanctions applied in April on Sulzer's reference shareholder Renova. This shift mitigated short-term volatility concerns by having the PSU grants based on a less volatile three-month average price, which also included the off-exchange share buyback of 5.00 million shares in the same period.

The key performance criteria being measured over the three-year performance period of PSU are:

- Operational EBITA growth, weighted with 25%;
- Average opROCEA, weighted with 25%;
- Relative total shareholder return (TSR) weighted with 50% and measured against two different peer groups: 75% of this part of the performance measurement is based on the performance against international peers measured as percentile ranking, and 25% is based on the performance against the companies of the Swiss Market Index Mid (SMIM) measured as a delta (see details in the box below).

The Board of Directors deems these metrics to be the most relevant key performance indicators for the sustainable development of the Sulzer group, combining growth, profitability and shareholder return in comparison to the relevant peers and markets.

Peer group for relative TSR performance of PSP 2018

International peers		Swiss Market Index Mid (SMIM)
• Ebara	• Pentair	All companies of the SMIM
• Flowserve	• SPX Flow	
• ITT	• Weir	
• Kirloskar Brothers	• Wood Group	
• KSB	• Xylem	

Both peer groups did not change in the reporting year.

The Board of Directors has the right to change the composition of the peer group in case of a merger or acquisition or any other change leading to a delisting or a fundamental change in the scope of the business of a peer group company. In such a situation, the Board will select a new peer company. There is a predefined successor list of companies to support the Board of Directors in the selection process.

For each performance condition of the PSP, a threshold, target and cap performance level is determined, which in turn determines the achievement factor as follows:

Level of performance	Achievement factor
• Below threshold	0%
• Threshold	50%
• Target	100%
• Cap	250%
• Points in between	Linear interpolation

On the vesting date, the number of vested shares is calculated by multiplying the initial number of PSU granted by the weighted average of the achievement factor of each performance condition as follows:

Number of PSU granted x [(achievement factor opEBITA growth x 25%) + (achievement factor opROCEA x 25%) + (achievement factor relative TSR x 50%)] = number of PSU vested

For each vested PSU, a Sulzer share will be delivered free of charge to the employee.

However, while the above mentioned performance assessment impacts the number of PSU vested and, consequently, the number of shares delivered, there might also be an increase in value per share over the three-year performance period, which may have a relevant impact on the actually delivered total value after three years. Therefore, the number of vested PSU is subject to an absolute value cap based on the level of the executive’s role in the IPE framework. The absolute vesting value cap amounts to CHF 3’600’000 for the CEO and between CHF 825’000 and CHF 1’000’000 (representing, in each case, 2.5 times the original grant value) for other Executive Committee members.

Number of PSU vested

Number of PSU granted ×	Achievement opEBITA growth (0–250%)x25% +	Achievement average opROCEA (0–250%)x25% +	Achievement relative TSR (0–250%)x50% =	Number of PSU vested
Number of PSU granted Grant values are defined based on the level of the role in the GGS framework: • CEO: CHF 1'440'000 • EC: CHF 330'000 to CHF 400'000	**Factor based on operational EBITA growth** Operational EBITA growth is the percentage change between opEBITA in the last fiscal year before the start of the performance period and opEBITA in the last fiscal year of the performance period. • Threshold: not disclosed • Target: any performance between target entry point and target end point (not disclosed) • Cap: not disclosed	**Factor based on average opROCEA** Average opROCEA is the sum of adjusted opROCE based on audited figures in each fiscal year of the performance period, divided by the number of such years. • Threshold: not disclosed • Target: any performance between target entry point and target end point (not disclosed) • Cap: not disclosed	**Factor based on relative TSR** Relative TSR is defined as share price growth plus dividends during the vesting period divided by the ending share price, measured against peers. **Industrial peers (75%)** • Threshold: 10th percentile • Target: median • Cap: 75th percentile **SMIM (25%)** • Threshold: SMIM −10 percentage points • Target: SMIM • Cap: SMIM +10 percentage points	**Number of PSU vested** The maximum vesting value is capped at a multiple of the value at grant: • CEO: CHF 3'600'000 • EC: CHF 825'000 to CHF 1'000'000

Sulzer strives for transparency in relation to pay for performance. The target achievement levels of relative performance objectives are not considered confidential and are thus disclosed (see above). However, disclosure of internal financial and individual objectives may create a competitive disadvantage to the company because it renders sensitive insights into Sulzer's strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment at the end of the performance cycle.

In case of termination of employment, the following provisions apply:

- Termination by the employer for cause: unvested PSU forfeit.
- Termination as a result of retirement: vesting and performance measurement of PSU continues according to plan, no early allocation of the shares.
- Termination of employment for any other reason: for Executive Committee members, the number of unvested PSU vest on a pro rata basis (number of months between grant date and termination date) according to the achievement factor at the end of the vesting period. There is no early allocation of the shares.

Upon the occurrence of a change of control, PSU will vest immediately on a pro rata basis, subject to a performance assessment by the Board of Directors. In such a case, the Board of Directors may also determine a cash settlement of the awards.

Furthermore, the Board of Directors may determine that an award is forfeited in full or in part (malus) or that a vested award will be recovered in full or in part (clawback) in situations of material misstatement of the financial results, an error in assessing a performance condition or in the information or assumptions on which the award was granted or vested, serious reputational damage to the company, gross negligence, or willful misconduct on the part of the participant.

The PSP regulation in its article 15 allows for corrections in case of extreme market situations or in the event of activities or decisions of large Sulzer shareholders which have a significant impact on Sulzer's TSR. The US sanctions targeting Renova in April 2018 was deemed to be such an extraordinary event, given its dramatic mid-term impact on the share price of Sulzer and this despite sustained strong operational performance and positive strategic developments. Consequently, the Board decided in May 2018 to add a TSR performance floor to the ongoing measurement of the PSP 2016 and PSP 2017, protecting the performance measurement mechanism against undue distortion.

The introduction of the floor led to a step-up in the market valuation of the respective PSU, which is duly disclosed in the compensation tables of this report.

Further information on share-based compensation can be found in note 11 to the “Financial Statements of Sulzer Ltd.”

Benefits

Members of the Executive Committee participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan that covers annual earnings up to CHF 146’629 per year and a supplementary plan in which income over this limit, up to the ceiling set by law, is insured (including variable cash remuneration). The contributions are age-related and are shared between the employer and the employee.

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

Contracts of employment

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

There are no contractual shareholding requirements for Executive Committee members or other employees.

Compensation of the Board of Directors and the Executive Committee

In view of the specific compensation-related challenges in 2018, and aiming for enhanced transparency also by means of a clearly structured Compensation Report, this section will contain the following chapters:

1. Compensation of the Board of Directors for 2018 (incl. audited table)
2. Compensation of the Executive Committee for 2018 (incl. audited table)
3. Pay-for-performance assessment

1. Compensation of the Board of Directors for 2018

In 2018, the Board of Directors received a total compensation of CHF 2’637’654 (previous year: CHF 2’694’962). Of this total, CHF 1’225’730 was in the form of cash fees (previous year: CHF 1’271’869); CHF 1’155’000 was in RSU (previous year: CHF 1’155’000) and CHF 256’923 was in the form of social security contributions (previous year: CHF 268’093).

This is a decrease of 2.1% from the previous year, which was due to changes to the members of the Board in 2018. The structure and level of the Board compensation remained unchanged compared with the previous year.

The portion of compensation delivered in RSU amounts to 56% of the cash compensation for the Chairman, and to between 106% and 165% for the other active members of the Board of Directors. The RSU are subject to a staged three-year vesting period.

Compensation of the Board of Directors (audited)

				2018				2017
thousands of CHF	Cash Fees [8]	Restricted share unit (RSU) plan [9]	Social security contri-butions [10]	Total	Cash Fees [8]	Restricted share unit (RSU) plan	Social security contri-butions [10]	Total
Board of Directors	**1’226**	**1’155**	**257**	**2’638**	**1’272**	**1’155**	**268**	**2’695**
Peter Löscher, Chairman [1]	446	250	69	765	446	250	69	765
Matthias Bichsel, Vice Chairman	133	155	33	322	133	155	33	322
Hanne Birgitte Breinbjerg Sørensen [2]	108	125	27	260	–	–	–	–
Lukas Braunschweiler [3]	76	125	25	226	–	–	–	–
Mikhail Lifshitz	102	125	27	253	102	125	27	253
Marco Musetti	117	125	28	270	102	125	27	253
Gerhard Roiss [4]	132	125	16	273	100	125	25	250
Axel C. Heitmann [5]	40	125	23	187	102	125	27	253
Thomas Glanzmann [6]	40	0	4	44	144	125	30	299
Jill Lee [7]	32	0	4	36	144	125	30	299

1) Chairman of the Board of Directors and Chairman of the Strategy Committee.

2) Member of the Board of Directors and Chairwoman of the Audit Committee since April 4, 2018.

3) Member of the Board of Directors since April 4, 2018.

4) Member of the Board of Directors since April 1, 2015. Chairman of the Nomination and Remuneration Committee since April 4, 2018.

5) Member of the Board of Directors until May 25, 2018.

6) Chairman of the Nomination and Remuneration Committee until April 4, 2018.

7) Chairwoman of the Audit Committee until December 11, 2017. Member of the Board of Directors until April 4, 2018.

8) Disclosed gross.

9) RSU awards granted in 2018 had a fair value of CHF 124.43 at grant date. The amount represents the full fair value of grants made in 2018.

10) The amount includes mandatory social security contributions on the cash fees and estimated contributions on the RSU (based on their fair value at grant) and includes both the employer and employee contributions paid by the company on behalf of the Board members.

At the 2018 and 2017 AGM respectively, shareholders approved a maximum aggregate compensation amount of CHF 2’984’000 for the Board of Directors for the period of office from the 2018 AGM until the 2019 AGM and of CHF 2’897’000 for the period of office from the 2017 AGM until the 2018 AGM. The table below shows the reconciliation between the compensation that is/will be paid out for the two periods of office and the maximum aggregate compensation amounts approved by the shareholders.

Reconciliation between the reported Board compensation and the amount approved by the shareholders at the Annual General Meeting

	Compensation earned during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2018–AGM 2019	2018	Jan 1, 2018 to 2018 AGM	Jan 1, 2019 to 2019 AGM	2018 AGM to 2019 AGM	2018 AGM	2018 AGM
Board (total)	**2’637’654**	**387’961**	**366’336**	**2’616’029**	**2’984’000**	**87.7%**
AGM 2017–AGM 2018	2017	Jan 1, 2017 to 2017 AGM	Jan 1, 2018 to 2018 AGM	2017 AGM to 2018 AGM	2017 AGM	2017 AGM
Board (total)	**2’694’962**	**390’292**	**388’062**	**2’692’732**	**2’897’000**	**92.9%**

As of December 31, 2017 and December 31, 2018, there were no outstanding loans or credits granted to the members of the Board of Directors, former members of the Board of Directors or related parties (audited).

In 2017 and 2018, no compensation was granted to former members of the Board of Directors or related parties (audited).

2. Compensation of the Executive Committee for 2018

In 2018, the Executive Committee received a total compensation of CHF 16’703’113 (previous year: CHF 13’956’248). Of this total, CHF 7’773’076 was in cash (previous year: CHF 8’109’048); CHF 4’462’417 was in PSU (previous year: CHF 3’785’036); CHF 2’066’420 was in pension and social security contributions (previous year: CHF 1’783’861), and CHF 2’401’200 was in other payments (previous year: CHF 278’302).

Compensation of the Executive Committee (audited)

						2018
thousands of CHF	Base salary	Bonus[2)]	Other[3)]	Performance share plan (PSP)[4)]	Pension and social security contributions[5)]	Total
Executive Committee[1)]	4'090	3'683	2'401	4'462	2'066	16'703
thereof highest single compensation, G. Poux-Guillaume, CEO	1'021	1'375	1'081	1'841	528	5'846

						2017
thousands of CHF	Base salary	Bonus[2)]	Other[3)]	Performance share plan (PSP)[4)]	Pension and social security contributions[5)]	Total
Executive Committee[1)]	4'367	3'742	278	3'785	1'784	13'956
thereof highest single compensation, G. Poux-Guillaume, CEO	1'009	1'259	147	1'531	420	4'367

1) The total Executive Committee compensation 2017 and 2018 includes the compensation of Greg Poux-Guillaume, CEO since December 1, 2015; Thomas Dittrich, CFO until March 2018; Jill Lee, CFO since April 2018; César Montenegro, Division President Pumps Equipment until December 2017; Michael Streicher, Division President Pumps Equipment since January 2018; Daniel Bischofberger, Division President Rotating Equipment Services since September 2016; Oliver Bailer, Division President Chemtech until June 2016; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Frédéric Lalanne, Chief Commercial and Marketing Officer since June 2016.

2) Expected bonus for the performance years 2018 and 2017 respectively, that is paid out in the following year (accrual principle). Includes pro rata short-term incentive (STI) payments for EC members whose employment contracts started or were terminated during the year.

3) Other consists of housing allowances, schooling allowances, private use of company car, tax services, holiday compensation, and child allowances. For 2018, this category also includes the step-up in fair value of outstanding PSU (PSP 2016 and PSP 2017) resulting from the Board's decision to set TSR floors reflecting the exceptional market conditions and share price collapse following the US sanctions against Russia and the collateral damages to Sulzer. Further information in this respect can be found in the section "Performance share plan" of the Compensation Report. The step-up in fair value per PSU was CHF 40.62 under the PSP 2016 and CHF 18.91 under the PSP 2017 (based on a third-party fair value calculation), and it incurred at the time of the respective Board decision in May 2018.

4) Represents the full fair value of the PSU granted under the PSP 2018 and PSP 2017 respectively. PSU granted in 2018 had a fair value of CHF 146.62 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSU is based on the three-month weighted average share price before the grant date (CHF 112.33 per PSU for July 2018 grants, which also includes the off-stock-exchange share buyback in the same period), the disclosed fair values are calculated on the grant dates by using sophisticated market value approaches, which typically leads to minor differences between the original grant value according to the compensation architecture and the disclosed fair market values.

5) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2018 and 2017, respectively (PSP).

The total compensation of CHF 16'703'113 awarded to the members of the Executive Committee for the 2018 financial year is within the maximum aggregate compensation amount of CHF 21'163'000 that was approved by the shareholders at the 2017 AGM.

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

As of December 31, 2017 and December 31, 2018, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee (audited).

In 2017 and 2018, no compensation was granted to former members of the Executive Committee or related parties except for the step-up in fair value on outstanding PSU of leavers, according to footnote 3 of the compensation table above. The additional compensation resulting from this step-up is included in the table above (audited).

3. Compensation for the Executive Committee: pay-for-performance assessment

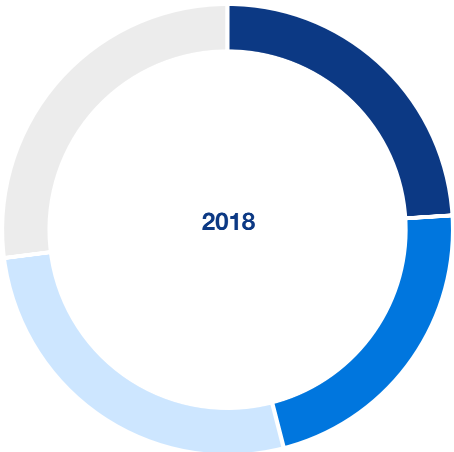
In 2018, we continued our expansion and growth strategy by successfully completing three acquisitions:

- January 2018: JWC Environmental LLC, USA
- September 2018: Medmix Systems AG, Switzerland
- November 2018: Brithinee Electric, USA

The US sanctions against Russia did not impact ongoing operational performance, and we continue to proceed on a strong sustainable growth path. In the following, we elaborate further on how the relevant business performance impacted the variable compensation models of our Executive Committee. More detailed information about Sulzer's operational and strategic performance in 2018 can be found in the financial report.

a) Total compensation and pay ratio

Executive Committee



24% Base salary
22% Bonus
27% Grant of PSU
27% Benefits

In 2018, the Executive Committee received a total compensation of CHF 16'703'113 (previous year: CHF 13'956'248). This is an overall increase of 19.7% from the previous year. The main reason for this increase is the reevaluation of the outstanding PSU fair value, incurred in 2018, resulting from the added TSR floors in the PSP 2016 and 2017.

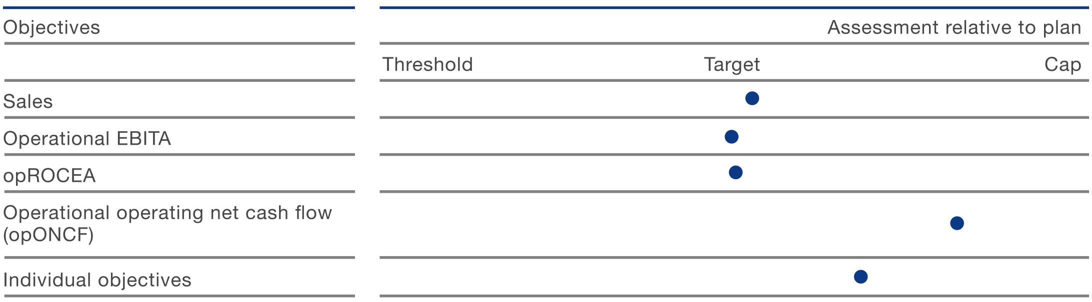
For the entire Executive Committee, the variable component represented 129% of the fixed component (base salary, other – however without one-time step-up in value on outstanding PSU – pension and social security contributions). This pay ratio reflects Sulzer's high-performance orientation. Further, it represents the company's strong emphasis on aligning the interests of the

Executive Committee and the shareholders to create long-term shareholder value and profitable growth.

On a like-for-like basis (EC members employed in both 2018 and 2017), the base salaries of the EC members increased by 1.8% on average. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

In 2018, Sulzer again made good progress towards its transformation goals. Financial targets were exceeded despite an unsupportive energy market environment, and operational performance was not hit by the US sanctions against Russia in April 2018. We grew through acquisitions but also organically in all divisions. The financial component of the bonus ranged from 98% to 129% of targeted payout (on average 118%) and significant progress on our transformation path led to a high level of achievement of individual objectives. This translated into an overall bonus payout factor ranging from 96% to 150% (on average 124%) for the members of the Executive Committee.



c) Long-term incentive (PSP)

On a like-for-like basis, the value of long-term incentives (LTI) newly granted in 2018 remained unchanged compared with the previous year, which corresponds to the ongoing operational performance and growth of the company. Thus, no changes to the grant values were required. The protection of a fair performance measurement by means of the introduction of the pre-April minimum TSR target achievement level in May 2018 resulted in a one-time step-up in value of outstanding PSU (PSP 2016 and PSP 2017) as disclosed in the audited compensation tables. No further adjustments are planned.

The PSP 2016 vested on December 31, 2018. The relevant key performance indicators were opEBITA growth, opROCEA and relative TSR over the three-year period from 2016 to 2018. Operational performance in this period was very good, even beyond expectations. The result was a total payout factor of 191% for the PSP 2016, which fairly reflects the extraordinary growth and performance, both against budget targets and against market peers, in the three-year period from 2016 to 2018.

The PSP 2015 vested on December 31, 2017. As the final payout calculation was made based on the volume-weighted average share price of the three months following vesting date (January to March 2018), the vesting level could not yet be disclosed in the 2017 Compensation Report. For these awards, the peer group had to be updated, with the newly merged TechnipFMC (former peer group company Technip) being replaced by Xylem, chosen out of a proposal of three companies from the predefined successor list of companies. The overall vesting of the PSP 2015 amounted to 164%.

Overall, the PSP vesting levels fairly reflected the extraordinary operational performance, also against direct peers, over the respective three-year performance cycles, so Sulzer fully achieved the desired

strong link between sustainable company performance and competitive long-term incentive payouts.
In a nutshell, the resulting overall vesting levels can be summarized as follows:

	Vesting level, based on performance achievement	Corrections due to vesting value cap	Total effect: delivered shares per PSU award
PSP 2015	164%	Not required	1.64
PSP 2016	191%	Not required	1.91

The vesting level of the PSP 2017 will be shown in the Compensation Report for 2019.

Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

As of the end of 2017 and 2018, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2018

			2018
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	**38’114**	**16’516**	**54’630**
Peter Löscher	14’607	4’647	19’254
Matthias Bichsel	5’241	2’884	8’125
Hanne Birgitte Breinbjerg Sørensen	–	1’005	1’005
Lukas Braunschweiler	–	1’005	1’005
Mikhail Lifshitz	1’449	2’325	3’774
Marco Musetti	6’222	2’325	8’547
Gerhard Roiss	10’595	2’325	12’920

Shareholdings at December 31, 2017

			2017
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	**31’044**	**23’483**	**54’527**
Peter Löscher	–	5’244	5’244
Matthias Bichsel	3’624	3’253	6’877
Thomas Glanzmann	6’841	2’625	9’466
Axel C. Heitmann	526	2’243	2’769
Jill Lee	5’320	2’625	7’945
Mikhail Lifshitz	526	2’243	2’769
Marco Musetti	4’917	2’625	7’542
Gerhard Roiss	9’290	2’625	11’915

Shareholdings of the Executive Committee

As of the end of 2017 and 2018, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2018

						2018
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares	Performance share units (PSU) 2016	Performance share units (PSU) 2017	Performance share units (PSU) 2018
Executive Committee	**34'035**	**3'513**	**37'548**	**28'852**	**26'667**	**31'071**
Greg Poux-Guillaume	21'381	–	21'381	18'641	13'196	12'820
Daniel Bischofberger	–	–	–	1'424	3'024	2'938
Frédéric Lalanne	2'237	3'513	5'750	2'314	3'024	2'938
Jill Lee	7'945	–	7'945	–	–	3'561
Armand Sohet	–	–	–	3'560	3'024	2'938
Michael Streicher	764	–	764	1'942	1'375	2'938
Torsten Wintergerste	1'708	–	1'708	971	3'024	2'938

Shareholdings at December 31, 2017

						2017
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares	Performance share units (PSU) 2015	Performance share units (PSU) 2016	Performance share units (PSU) 2017
Executive Committee	**46'835**	**22'546**	**69'381**	**6'594**	**37'266**	**32'624**
Greg Poux-Guillaume	9'682	15'121	24'803	942	18'641	13'196
Daniel Bischofberger	–	–	–	–	1'424	3'024
Thomas Dittrich	21'000	0	21'000	2'826	5'178	3'666
Frédéric Lalanne	–	7'026	7'026	–	2'314	3'024
César Montenegro	14'844	–	14'844	2'826	5'178	3'666
Armand Sohet	–	–	–	–	3'560	3'024
Torsten Wintergerste	1'309	399	1'708	–	971	3'024

KPMG

Report of the Statutory Auditor

To the General Meeting of Sulzer Ltd, Winterthur

We have audited the Compensation Report of Sulzer Ltd for the year ended December 31, 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables and sections labeled "audited" in the chapter "Compensation of the Board of Directors and the Executive Committee" of the Compensation Report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Compensation Report for the year ended December 31, 2018 of Sulzer Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Simon Niklaus
Licensed Audit Expert

Zurich, February 12, 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Financial reporting

English only

Notes to the consolidated financial statements

English only

Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2018	2017
Sales	3	3'364.9	3'049.0
Cost of goods sold		–2'386.6	–2'112.4
Gross profit		**978.3**	**936.6**
Selling and distribution expenses		–354.4	–337.2
General and administrative expenses		–384.4	–362.7
Research and development expenses	10	–86.4	–81.0
Other operating income and expenses, net	11	30.8	–19.2
Operating income		**183.8**	**136.5**
Interest and securities income	12	2.9	4.1
Interest expenses	12	–20.3	–15.2
Other financial income and expenses, net	12	–1.5	0.3
Share of profit and loss of associates	16	0.7	–0.3
Income before income tax expenses		**165.6**	**125.4**
Income tax expenses	13	–49.2	–38.2
Net income		**116.5**	**87.2**
attributable to shareholders of Sulzer Ltd		113.7	83.2
attributable to non-controlling interests		2.8	4.0
Earnings per share (in CHF)			
Basic earnings per share	24	3.56	2.44
Diluted earnings per share	24	3.53	2.42

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2018	2017
Net income		**116.5**	**87.2**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax	28	–2.2	4.5
Currency translation differences		–90.6	54.6
Total of items that may be reclassified subsequently to the income statement		**–92.8**	**59.1**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax	9	55.9	91.8
Total of items that will not be reclassified to the income statement		**55.9**	**91.8**
Total other comprehensive income		**–36.9**	**150.9**
Total comprehensive income for the period		**79.6**	**238.1**
attributable to shareholders of Sulzer Ltd		78.2	233.9
attributable to non-controlling interests		1.4	4.2

Consolidated balance sheet

December 31

millions of CHF	Notes	2018	2017
Non-current assets			
Goodwill	14	923.4	865.7
Other intangible assets	14	439.4	420.8
Property, plant and equipment	15	527.0	531.6
Associates	16	13.4	10.3
Other financial assets	17	9.4	13.6
Non-current receivables		6.2	8.8
Deferred income tax assets	13	138.9	139.7
Total non-current assets		**2'057.7**	**1'990.5**
Current assets			
Inventories	18	658.9	488.0
Current income tax receivables		29.0	27.2
Advance payments to suppliers		79.9	84.7
Contract assets	19	205.1	–
Trade accounts receivable	20	622.3	901.8
Other current receivables and prepaid expenses	21	150.2	136.3
Cash and cash equivalents	22	1'095.2	488.8
Total current assets		**2'840.6**	**2'126.8**
Total assets		**4'898.3**	**4'117.3**
Equity			
Share capital	23	0.3	0.3
Reserves		1'629.5	1'679.8
Equity attributable to shareholders of Sulzer Ltd		**1'629.9**	**1'680.1**
Non-controlling interests		11.2	22.3
Total equity		**1'641.0**	**1'702.4**
Non-current liabilities			
Non-current borrowings	25	1'316.3	458.7
Deferred income tax liabilities	13	89.5	104.8
Non-current income tax liabilities	13	2.3	2.3
Defined benefit obligations	9	160.9	239.1
Non-current provisions	26	74.4	77.6
Other non-current liabilities		3.6	17.6
Total non-current liabilities		**1'646.8**	**900.1**
Current liabilities			
Current borrowings	25	18.0	255.1
Current income tax liabilities	13	32.0	24.8
Current provisions	26	139.6	158.5
Contract liabilities	19	256.4	–
Trade accounts payable		521.8	433.8
Advance payments from customers		–	210.1
Other current and accrued liabilities	27	642.6	432.5
Total current liabilities		**1'610.4**	**1'514.8**
Total liabilities		**3'257.3**	**2'414.9**
Total equity and liabilities		**4'898.3**	**4'117.3**

Consolidated statement of changes in equity

January 1 – December 31

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	Total	Non-controlling interests	Total equity
Equity as of January 1, 2017		**0.3**	**2'024.2**	**–16.9**	**–11.0**	**–415.4**	**1'581.2**	**9.8**	**1'591.0**
Comprehensive income for the period:									
Net income			83.2				83.2	4.0	87.2
– Cash flow hedges, net of tax	28				4.5		4.5		4.5
– Remeasurements of defined benefit obligations, net of tax	9		91.8				91.8		91.8
– Currency translation differences						54.4	54.4	0.2	54.6
Other comprehensive income			91.8		4.5	54.4	150.7	0.2	150.9
Total comprehensive income for the period		**–**	**175.0**	**–**	**4.5**	**54.4**	**233.9**	**4.2**	**238.1**
Transactions with owners of the company:									
Changes in ownership in subsidiaries							–	9.8	9.8
Put option liability			–14.6				–14.6		–14.6
Allocation of treasury shares to share plan participants			–6.6	6.6			0.0		0.0
Acquisition of treasury shares	23			–11.8			–11.8		–11.8
Share-based payments	31		10.8				10.8		10.8
Dividends	23		–119.4				–119.4	–1.5	–120.9
Equity as of December 31, 2017	**23**	**0.3**	**2'069.4**	**–22.1**	**–6.5**	**–361.0**	**1'680.1**	**22.3**	**1'702.4**
Adjustment on initial application of IFRS 9, net of tax	34		–6.6				–6.6		–6.6
Adjustment on initial application of IFRS 15, net of tax	34		–21.9			–1.2	–23.1	–0.1	–23.1
Equity as of January 1, 2018		**0.3**	**2'040.9**	**–22.1**	**–6.5**	**–362.2**	**1'650.4**	**22.2**	**1'672.6**
Comprehensive income for the period:									
Net income			113.7				113.7	2.8	116.5
– Cash flow hedges, net of tax	28				–2.2		–2.2		–2.2
– Remeasurements of defined benefit obligations, net of tax	9		55.9				55.9		55.9
– Currency translation differences						–89.2	–89.2	–1.3	–90.6
Other comprehensive income			55.9		–2.2	–89.2	–35.5	–1.3	–36.9
Total comprehensive income for the period		**–**	**169.6**	**–**	**–2.2**	**–89.2**	**78.2**	**1.4**	**79.6**
Transactions with owners of the company:									
Changes of non-controlling interests without a change in control			11.7				11.7	–10.6	1.1
Allocation of treasury shares to share plan participants			–7.0	7.0			–		–
Treasury shares acquired	23			–563.8			–563.8		–563.8
Treasury shares sold	23		12.6	544.8			557.4		557.4
Share-based payments	31		15.1				15.1		15.1
Dividends	23		–119.1				–119.1	–1.9	–121.0
Equity as of December 31, 2018	**23**	**0.3**	**2'123.6**	**–34.0**	**–8.6**	**–451.4**	**1'629.9**	**11.2**	**1'641.0**

Consolidated statement of cash flows

January 1 – December 31

millions of CHF	Notes	2018	2017
Cash and cash equivalents as of January 1		**488.8**	**429.5**
Net income		116.5	87.2
Interest and securities income	12	–2.9	–4.1
Interest expenses	12	20.3	15.2
Income tax expenses	13	49.2	38.2
Depreciation, amortization and impairments	14,15	145.1	140.9
Income from disposals of property, plant and equipment	11,15	–5.8	–4.4
Changes in inventories		–98.4	–35.7
Changes in advance payments to suppliers		6.1	–0.5
Changes in contract assets		–11.0	–
Changes in trade accounts receivable		19.9	36.4
Changes in advance payments from customers		–	10.5
Changes in contract liabilities		–23.7	–
Changes in trade accounts payable		106.2	12.2
Change in provision for employee benefit plans		–2.8	–1.0
Changes in provisions		–21.3	–30.9
Changes in other net current assets		20.8	–8.6
Other non-cash items		17.6	–7.9
Interest received		2.9	4.0
Interest paid		–12.2	–8.0
Income tax paid		–65.6	–59.8
Total cash flow from operating activities		**260.8**	**183.7**
Purchase of intangible assets	14	–6.9	–2.6
Purchase of property, plant and equipment	15	–89.3	–78.6
Sale of property, plant and equipment	11, 15	16.6	12.8
Acquisitions of subsidiaries, net of cash acquired	4	–217.5	–157.9
Acquisitions of associates	16	–1.2	–4.6
Dividends from associates	16	0.1	–
Divestitures of subsidiaries		0.7	–
Purchase of financial assets	17	–0.6	–0.3
Sale of financial assets	17	0.6	0.4
Total cash flow from investing activities		**–297.4**	**–230.8**
Dividend	23	–43.1	–119.4
Dividend paid to non-controlling interests		–1.9	–1.5
Purchase of treasury shares		–454.9	–11.8
Sale of treasury shares	23	557.4	–
Changes in non-controlling interests	4	–14.3	–0.3
Additions in non-current borrowings	25	859.4	0.5
Repayment of non-current borrowings	25	–1.1	–1.7
Additions in current borrowings	25	426.4	534.6
Repayment of current borrowings	25	–658.9	–294.1
Total cash flow from financing activities		**669.1**	**106.3**
Exchange losses on cash and cash equivalents		–26.1	0.1
Net change in cash and cash equivalents		**606.4**	**59.3**
Cash and cash equivalents as of December 31	**22**	**1’095.2**	**488.8**

1 General information

Sulzer Ltd (the "company") is a company domiciled in Switzerland. The address of the company's registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The consolidated financial statements for the year ended December 31, 2018, comprise the company and its subsidiaries (together referred to as the "group" and individually as the "subsidiaries") and the group's interest in associates and joint ventures. The group specializes in pumping solutions, service solutions for rotating equipment, separation and mixing, and applicator technology. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 15'500 people. The company serves clients in over 180 production and service sites around the world. Sulzer Ltd is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They were authorized for issue by the Board of Directors on February 12, 2019.

Details of the group's accounting policies are included in note 34.

2 Significant events and transactions during the reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- As of January 10, 2018, the group acquired 100% of the issued shares in JWC Environmental, LLC ("JWC") for CHF 211.3 million. JWC is headquartered in Santa Ana, California, US, and employs around 230 people. The company is a leading provider of highly engineered, mission-critical solids reduction and removal products such as grinders, screens and dissolved air flotation systems for municipal, industrial and commercial wastewater applications. The acquisition resulted in an increase in property, plant and equipment of CHF 11.5 million and the recognition of goodwill (CHF 88.7 million) and other intangible assets (CHF 90.7 million) at the date of acquisition (see note 4).
- On April 11, 2018, Sulzer purchased five million treasury shares from Renova. The purchase price for the five million shares Sulzer acquired came to CHF 109.13 per share for a transaction value of CHF 545.7 million. On September 18, Sulzer placed the five million treasury shares with domestic and international investors. The placement price of CHF 112 per share results in a capital gain of CHF 12.6 million (CHF 14.3 million before transaction costs) which increases Sulzer's equity (see note 23).
- On July 6, 2018, Sulzer issued two new bonds via dual tranches of CHF 400 million in total. The first tranche of CHF 110 million has a term of two years, carries a coupon of 0.25% and has an effective interest rate of 0.37%. The second tranche of CHF 290 million has a term of five years, carries a coupon of 1.3% and has an effective interest rate of 1.35%. On October 22, 2018, Sulzer issued two new bonds via dual tranches of CHF 460 million in total. The first tranche of CHF 210 million has a term of three years, carries a coupon of 0.625% and has an effective interest rate of 0.71%. The second tranche of CHF 250 million has a term of six years, carries a coupon of 1.6% and has an effective interest rate of 1.62%. For more information refer to note 25.

- As part of the Sulzer Full Potential (SFP) program, Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. In 2018, restructuring expenses were mainly associated with measures taken in Brazil, Germany, the US, France, the Netherlands and Belgium. The group recognized restructuring expenses of CHF 13.1 million (2017: CHF 21.7 million). Associated with restructuring initiatives, the group further recognized impairments on property, plant and equipment of CHF 4.4 million (2017: CHF 15.4 million). For more information refer to note 26.
- This is the first set of consolidated financial statements where IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” have been applied. The application of these new accounting standards resulted in an increase in allowance for doubtful trade accounts receivable and also impacted recognition of sales, costs of goods sold and gross profit for some construction contracts. Details and changes of the group’s accounting policies are described in note 34.

For a detailed discussion about the group’s performance and financial position please refer to the “Financial review.”

3 Segment information

Segment information by divisions

	Pumps Equipment		Rotating Equipment Services		Chemtech		Applicator Systems	
millions of CHF	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Order intake (unaudited)[1]	**1'372.1**	**1'180.2**	**1'109.7**	**1'047.7**	**600.1**	**501.5**	**449.6**	**426.3**
Nominal growth (unaudited)	16.3%	10.6%	5.9%	6.2%	19.7%	6.3%	5.4%	56.4%
Currency adjusted growth (unaudited)	16.5%	9.6%	7.6%	5.0%	20.5%	5.8%	4.2%	55.7%
Organic growth[2] (unaudited)	8.6%	2.9%	5.8%	–0.9%	20.5%	5.0%	0.3%	6.0%
Order backlog as of December 31 (unaudited)	982.9	847.0	393.1	364.4	345.9	315.3	65.0	66.8
Sales recognized at a point in time	920.3	n/a	872.1	n/a	335.8	n/a	452.1	n/a
Sales recognized over time	363.8	n/a	191.6	n/a	227.4	n/a	1.7	n/a
Sales[3]	**1'284.2**	**1'120.0**	**1'063.7**	**1'029.5**	**563.2**	**478.0**	**453.8**	**421.6**
opEBITA (unaudited)[4]	**41.4**	**–3.7**	**146.1**	**144.0**	**50.0**	**25.0**	**95.7**	**86.8**
in % of sales (unaudited)[5]	3.2%	–0.3%	13.7%	13.9%	8.9%	5.2%	21.1%	20.5%
in % of average capital employed (unaudited)	5.8%	–0.6%	26.6%	28.4%	24.6%	11.3%	22.9%	22.7%
Restructuring expenses	–8.8	–15.0	–3.4	–3.8	1.1	–1.7	–1.6	–0.3
Amortization	–35.5	–23.2	–7.4	–6.8	–5.2	–5.6	–19.6	–17.0
Impairments on property, plant and equipment	–0.7	–10.5	0.0	–2.3	–	–2.6	–3.7	–
Non-operational items (unaudited)	–23.5	–9.3	–4.4	3.3	–31.4	–4.1	–6.9	–6.3
EBIT (Operating income)	**–27.2**	**–61.7**	**130.8**	**134.4**	**14.5**	**11.0**	**63.8**	**63.2**
Depreciation	–26.4	–23.7	–17.1	–17.6	–8.2	–9.2	–19.5	–20.8
Operating assets	1'670.1	1'445.6	860.2	880.6	483.0	463.7	623.4	655.3
Unallocated assets	–	–	–	–	–	–	–	–
Total assets as of December 31	**1'670.1**	**1'445.6**	**860.2**	**880.6**	**483.0**	**463.7**	**623.4**	**655.3**
Operating liabilities	739.1	685.3	347.7	319.8	289.8	234.1	76.3	71.5
Unallocated liabilities	–	–	–	–	–	–	–	–
Total liabilities as of December 31	**739.1**	**685.3**	**347.7**	**319.8**	**289.8**	**234.1**	**76.3**	**71.5**
Operating net assets	931.0	760.3	512.5	560.8	193.1	229.6	547.1	583.8
Unallocated net assets	–	–	–	–	–	–	–	–
Total net assets as of December 31	**931.0**	**760.3**	**512.5**	**560.8**	**193.1**	**229.6**	**547.1**	**583.8**
Capital expenditure	–32.6	–21.9	–23.1	–19.2	–6.6	–10.0	–31.5	–28.9
Employees (number of full-time equivalents) as of December 31	5'713	5'453	4'721	4'485	3'063	2'878	1'864	1'716

1) Order intake from external customers. Adjusted prior-year comparatives accordingly.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers. Adjusted prior-year comparatives accordingly.

4) Operating income before restructuring, amortization, impairments and non-operational items.

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

Segment information by divisions

	Total Divisions		Others[6]		Total Sulzer	
millions of CHF	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Order intake (unaudited)[1]	**3'531.5**	**3'155.7**	**–**	**–**	**3'531.5**	**3'155.7**
Nominal growth (unaudited)	11.9%	12.8%	n/a	n/a	11.9%	12.8%
Currency adjusted growth (unaudited)	12.5%	11.2%	n/a	n/a	12.5%	11.8%
Organic growth[2] (unaudited)	8.4%	2.2%	n/a	n/a	8.4%	2.2%
Order backlog as of December 31 (unaudited)	1'786.9	1'593.5	–	–	1'786.9	1'593.5
Sales recognized at a point in time	2'580.3	n/a	–	–	2'580.3	n/a
Sales recognized over time	784.6	n/a	–	–	784.6	n/a
Sales[3]	**3'364.9**	**3'049.0**	**–**	**–**	**3'364.9**	**3'049.0**
opEBITA (unaudited)[4]	**333.2**	**252.1**	**–10.7**	**3.3**	**322.5**	**255.4**
in % of sales (unaudited)[5]	9.9%	8.2%	n/a	n/a	9.6%	8.4%
in % of average capital employed (unaudited)	17.7%	14.8%	n/a	n/a	18.1%	15.8%
Restructuring expenses	–12.7	–20.8	–0.4	–0.9	–13.1	–21.7
Amortization	–67.8	–52.6	–1.3	–1.2	–69.0	–53.8
Impairments on property, plant and equipment	–4.4	–15.4	–	–	–4.4	–15.4
Non-operational items (unaudited)	–66.3	–16.4	14.3	–11.6	–52.0	–28.0
EBIT (Operating income)	**181.8**	**146.9**	**2.0**	**–10.4**	**183.8**	**136.5**
Depreciation	–71.2	–71.3	–0.5	–0.4	–71.7	–71.7
Operating assets	3'636.6	3'445.2	–26.7	–9.4	3'610.0	3'435.8
Unallocated assets	–	–	1'288.4	681.5	1'288.4	681.5
Total assets as of December 31	**3'636.6**	**3'445.2**	**1'261.7**	**672.1**	**4'898.3**	**4'117.3**
Operating liabilities	1'452.9	1'310.7	79.7	106.6	1'532.5	1'417.3
Unallocated liabilities	–	–	1'724.7	997.6	1'724.7	997.6
Total liabilities as of December 31	**1'452.9**	**1'310.7**	**1'804.4**	**1'104.2**	**3'257.3**	**2'414.9**
Operating net assets	2'183.8	2'134.5	–106.4	–116.0	2'077.4	2'018.5
Unallocated net assets	–	–	–436.4	–316.1	–436.4	–316.1
Total net assets as of December 31	**2'183.8**	**2'134.5**	**–542.7**	**–432.1**	**1'641.0**	**1'702.4**
Capital expenditure	–93.8	–80.0	–2.4	–1.2	–96.2	–81.2
Employees (number of full-time equivalents) as of December 31	15'361	14'532	211	200	15'572	14'732

1) Order intake from external customers. Adjusted prior-year comparatives accordingly.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers. Adjusted prior-year comparatives accordingly.

4) Operating income before restructuring, amortization, impairments and non-operational items.

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

6) The most significant activities under "Others" relate to Corporate Center.

Information about reportable segments

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

Pumps Equipment—pump technology and solutions:
This division offers a wide range of pumping solutions and related equipment. The market focus is on (a) production, transport and processing of crude oil and its derivates, (b) supply, treatment and transport of water as well as wastewater collection, (c) fossil-fired, nuclear and renewable power generation, and (d) specific general industries, e.g. pulp and paper, fertilizers and other markets.

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

Chemtech—separation, mixing and service solutions:
This division offers products and services for separation, extraction, reaction, polymer application and mixing technology. The market focus is on separation solutions and tower field services.

Applicator Systems—systems for liquid applications:
The division offers products for liquid applications and for mixing technologies. The market focus is on mixing and dispenser systems and liquid application systems for the dental, healthcare and cosmetics markets.

Others:
Certain expenses related to the Corporate Center are not attributable to a particular segment and are reviewed as a whole across the group. Also included are the eliminations for operating assets and liabilities.

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

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

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

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

Segment information by region

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

Non-current assets by region

millions of CHF	2018	2017
Europe, Middle East, Africa – thereof:	**1'289.4**	**1'392.6**
Germany	326.4	360.0
Sweden	222.2	261.9
Switzerland	161.4	158.1
United Kingdom	150.7	164.2
Netherlands	123.7	128.7
other countries	305.0	319.7
Americas – thereof:	**479.3**	**294.5**
USA	437.1	247.1
Brazil	19.7	22.9
Canada	11.5	12.3
other countries	11.0	12.2
Asia-Pacific – thereof:	**134.5**	**141.3**
China	60.7	66.6
India	27.7	23.2
Australia	26.0	30.2
other countries	20.0	21.3
Total	**1'903.2**	**1'828.4**

Sales by region

					2018
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, Middle East, Africa – thereof:	**554.6**	**458.9**	**190.0**	**265.4**	**1'468.9**
Germany	51.0	50.4	23.9	94.5	219.8
United Kingdom	27.7	108.5	4.5	29.1	169.8
Russia	30.3	79.8	15.4	1.7	127.2
Saudi Arabia	43.8	23.4	26.9	0.0	94.1
other countries	401.9	196.8	119.4	140.1	858.0
Americas – thereof:	**383.2**	**453.1**	**128.0**	**143.2**	**1'107.6**
USA	267.8	346.4	70.2	128.5	812.9
Brazil	32.4	22.9	27.2	9.8	92.3
Canada	43.6	25.4	12.8	1.4	83.1
Argentina	1.5	16.3	5.8	0.8	24.4
other countries	37.9	42.2	12.0	2.7	94.8
Asia-Pacific – thereof:	**346.4**	**151.6**	**245.1**	**45.3**	**788.4**
China	230.1	35.6	145.3	16.1	427.1
India	25.9	6.7	30.2	0.4	63.3
Australia	14.7	37.9	4.4	1.2	58.2
South Korea	13.8	15.4	22.3	4.2	55.7
other countries	61.8	56.0	42.9	23.4	184.1
Total	**1'284.2**	**1'063.7**	**563.2**	**453.8**	**3'364.9**

					2017
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, Middle East, Africa – thereof:	**595.1**	**426.8**	**150.9**	**238.8**	**1'411.6**
Germany	61.2	42.1	20.2	81.1	204.7
United Kingdom	27.7	109.0	4.3	23.2	164.3
Russia	38.4	64.8	10.4	2.2	115.8
Saudi Arabia	29.3	20.9	36.5	0.1	86.8
other countries	438.4	190.0	79.5	132.1	840.0
Americas – thereof:	**273.1**	**455.9**	**137.0**	**137.6**	**1'003.5**
USA	167.1	346.5	78.5	121.4	713.6
Brazil	34.6	21.9	22.9	11.0	90.4
Canada	29.6	26.3	20.8	1.2	77.9
Argentina	0.5	19.0	0.9	0.4	20.7
other countries	41.4	42.2	13.8	3.5	100.9
Asia-Pacific – thereof:	**251.8**	**146.8**	**190.1**	**45.2**	**633.9**
China	103.4	26.2	83.2	13.3	226.1
India	25.1	8.7	30.0	0.2	64.0
Australia	15.7	39.3	12.1	0.7	67.8
South Korea	13.3	12.9	20.2	3.6	50.1
other countries	94.2	59.7	44.7	27.4	225.9
Total	**1'120.0**	**1'029.5**	**478.0**	**421.6**	**3'049.0**

Segment information by market segment

The following table shows the allocation of sales from external customers by market segments:

Sales by market segment

					2018
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and gas	368.8	430.2	469.2	–	1'268.1
General industry	321.5	178.9	18.2	–	518.6
Water	445.6	28.9	0.7	–	475.3
Power	115.4	340.0	4.2	–	459.6
Adhesives, dental, healthcare	–	–	–	274.1	274.1
Chemical processing industry	32.9	85.7	71.0	–	189.6
Beauty	–	–	–	179.7	179.7
Total	**1'284.2**	**1'063.7**	**563.2**	**453.8**	**3'364.9**

					2017
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and gas	331.6	401.1	415.8	–	1'148.5
General industry	327.5	158.3	4.8	–	490.6
Water	312.3	25.0	1.9	–	339.2
Power	101.1	352.4	5.2	–	458.5
Adhesives, dental, healthcare	–	–	–	233.6	233.6
Chemical processing industry	47.5	92.8	50.3	–	190.6
Beauty	–	–	–	188.0	188.0
Total	**1'120.0**	**1'029.5**	**478.0**	**421.6**	**3'049.0**

4 Acquisitions of subsidiaries

Acquisitions in 2018

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition, including the resulting goodwill and the total consideration paid. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts recognized below, then the accounting for the acquisition will be revised.

Net assets acquired

millions of CHF	JWC Environmental, LLC	Other	Total
Intangible assets	90.7	6.1	96.8
Property, plant and equipment	11.5	–0.3	11.1
Cash and cash equivalents	3.6	2.8	6.4
Trade accounts receivable	17.2	3.2	20.4
Other current assets	11.6	1.7	13.3
Other liabilities with third parties	–11.9	–2.2	–14.2
Deferred tax liabilities	–	–1.1	–1.1
Net identifiable assets	**122.6**	**10.0**	**132.7**
Goodwill recognized in balance sheet	88.7	–	88.7
Negative goodwill recognized in income statement	–	–0.6	–0.6
Total consideration	**211.3**	**9.4**	**220.8**
Purchase price paid in cash	211.3	9.4	220.8
Total consideration	**211.3**	**9.4**	**220.8**

JWC Environmental, LLC

On January 10, 2018, Sulzer acquired a 100% controlling interest of JWC Environmental, LLC (“JWC”) for CHF 211.3 million. The headquarters of JWC is located in Santa Ana, California, US. JWC employs approximately 230 employees and is a leading provider of highly engineered, mission-critical solids reduction and removal products such as grinders, screens and dissolved air flotation system for municipal, industrial and commercial wastewater applications. The transaction allows Sulzer to grow its wastewater treatment offering through complementary equipment as well as to improve its access to the municipal and industrial wastewater market in North America. Furthermore, Sulzer intends to strongly pursue and support JWC’s geographic expansion into markets in EMEA and Asia. Significant sales synergies are expected through growth in JWC’s markets outside North America. JWC will operate as part of Sulzer’s Pumps Equipment division. The goodwill is attributable to significant synergies by leveraging scale and cross-selling opportunities. None of the goodwill is expected to be deductible for tax purposes. Transaction cost recognized in the income statement amount to CHF –1.4 million. Since the acquisition date, JWC contributed order intake of CHF 87.1 million, sales of CHF 84.6 million, and net income of CHF –2.9 million to the group.

Other

Medmix Systems AG

On August 31, 2018, Sulzer acquired 100% controlling interest of Medmix Systems AG (“Medmix”) for CHF 4.2 million. Medmix is based in Rotkreuz, Switzerland, and employs 12 people. The acquisition of Medmix extends the Applicator Systems division’s portfolio of mixing and dispensing devices, adding a healthcare segment to leading positions in dental, adhesives and beauty.

Brithinee Electric

On November 5, 2018, Sulzer acquired 100% controlling interest of Brithinee Electric for CHF 5.2 million. Brithinee Electric is based in Colton, California, US, and employs 46 people. Through this acquisition, Sulzer expands its electromechanical services business into Southern California and gains access to the Californian wind, cement and water markets with established offerings and customers.

Rotec

During 2017, Sulzer acquired 51% of the business of Rotec GT, the gas turbine maintenance division of the Rotec Group. Sulzer obtained control of the acquired business. Rotec GT is considered to be a related party to the group (controlled by the major shareholder). During 2018, Sulzer acquired the outstanding 49% of Sulzer Turbo Services Rus LLC (formerly the gas turbine maintenance division of the Rotec Group) for CHF 14.3 million, after the seller exercised its put option. The transaction was priced on an arm's length basis and was settled in cash prior to December 31, 2018.

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 20.4 million. The gross contractual amount for trade account receivables due is CHF 21.0 million, of which CHF 0.6 million is expected to be uncollectible at the date of acquisition.

Pro forma revenue and profit contribution

Had all above acquisitions occurred on January 1, 2018, management estimates that total net sales of the group would amount to CHF 3'379.3 million, and the consolidated net income would be CHF 117.5 million.

Cash flow from acquisitions of subsidiaries

millions of CHF	2018	2017
Cash consideration paid	–220.8	–162.7
Contingent consideration paid	–2.7	–2.2
Cash acquired	6.4	7.2
Payments for acquisitions in prior years	–0.4	–0.2
Total cash flow from acquisitions, net of cash acquired	**–217.5**	**–157.9**

Contingent consideration

millions of CHF	2018	2017
Balance as of January 1	5.1	9.5
Payment of contingent consideration	–2.7	–2.2
Release to other operating income	–1.5	–2.6
Currency translation differences	–0.1	0.4
Total contingent consideration as of December 31	**0.9**	**5.1**

As of December 31, 2018, there was a decrease of CHF 1.5 million recognized in the income statement for the contingent consideration arrangements, as the assumed probability-adjusted gross profit and EBITDA (earnings before interests, taxes, depreciation and amortization) was recalculated.

Acquisitions in 2017

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition, including the resulting goodwill and the total consideration paid.

millions of CHF	Ensival Moret	VIEC	Rotec GT	Transcodent	Total
Intangible assets	52.9	5.2	11.0	42.1	111.2
Property, plant and equipment	16.9	0.5	5.9	4.7	28.0
Cash and cash equivalents	7.0	–	–	0.2	7.2
Trade accounts receivable	22.2	–	–	3.3	25.5
Other current assets	48.1	0.1	1.9	6.2	56.3
Borrowings	–6.3	–	–	–2.5	–8.8
Other liabilities with third parties	–75.1	–	–	–3.0	–78.1
Deferred tax liabilities	–16.2	–1.4	–2.2	–	–19.8
Net identifiable assets	**49.5**	**4.4**	**16.6**	**51.0**	**121.5**
Non-controlling interests	–	–	–8.3	–	–8.3
Fair value of 49% preexisting interest in Sulzer TS Russia			–0.4		–0.4
Goodwill	18.2	–	7.5	24.6	50.3
Total consideration	**67.7**	**4.4**	**15.4**	**75.6**	**163.1**
Purchase price paid in cash	67.7	4.4	15.0	75.6	162.7
Paid in shares of Sulzer TS Russia			0.4		0.4
Total consideration	**67.7**	**4.4**	**15.4**	**75.6**	**163.1**

5 Critical accounting estimates and judgments

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

Employee benefit plans

The present value of the pension obligation and the plan assets depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit obligation and the plan assets include the discount rate, future salary and pension increases, and mortality rates. The assumptions are reviewed and reassessed at the end of each year based on observable market data, i.e. interest rate of high-quality corporate bonds denominated in the corresponding currency and asset management studies. Further details are provided in note 9 and note 34.

Income taxes

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

Goodwill and other intangible assets

The group carries out an annual impairment test on goodwill in the fourth quarter of the year, or when indications of a potential impairment exist. The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations with the terminal growth rate, the discount rate, and the projected cash flows as the main variables. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ending December 31, 2018, are disclosed in note 14. The accounting policies are disclosed in note 34.

Sales

At contract inception, the group assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as a performance obligation. The group considers the terms of the contract and all other relevant facts, including the economic substance of the transaction. Judgment is needed to determine whether there is a single performance obligation or multiple separate performance obligations. In typical engineering contracts, engineering, production and installation are treated as one single performance obligation.

If the consideration promised in a contract includes a variable amount (e.g. expected liquidated damages, early payment discounts, volume discounts), the group estimates the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expects to better predict the amount of consideration to which it will be entitled: the expected value or the most likely amount. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled. Depending on the outcome of the respective transactions, actual payments may differ from these estimates.

To allocate the transaction price to each performance obligation on a relative standalone selling price basis, the group determines the standalone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those standalone selling prices. If the standalone selling price is not directly observable, then the group estimates the amount with the expected cost plus margin method.

The group is recognizing sales either over time or at a point in time. Sales are recognized over time if any of the conditions described in note 34 is met. To determine the method, the right to payment condition is the one with the most critical estimates. The group estimates if an enforceable right to payment (including reasonable profit margin) for performance up to date exists in case the customer terminates the contract for convenience. For this estimate the group reviews the contracts and considers relevant laws, legal precedents and customary business practice.

Applying the over time method requires the group to estimate the proportional sales and costs. To measure the stage of completion, generally the cost-to-cost method is applied. Work progress of sub-suppliers is considered to determine the stage of completion. If circumstances arise that may change the original estimates of sales, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated sales or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Further details are disclosed in note 19 and note 34.

Provisions

Provisions are made, among other reasons, for warranties, disputes, litigation and restructuring. A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The nature of these costs is such that judgment has to be applied to estimate the timing and amount of cash outflows. Depending on the outcome of the respective transactions, actual payments may differ from these estimates. Further details are disclosed in note 26 and note 34.

6 Financial risk management

6.1 Financial risk factors

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

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

a) Market risk

(I) Foreign exchange risk

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

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

The following tables show the hypothetical influence on the income statement for 2018 and 2017 related to foreign exchange risk of financial instruments. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. For 2018, the currency pair with the most significant exposure and inherent risk was the EUR versus the RUB. If, on December 31, 2018, the EUR had increased by 13.3% against the RUB with all other variables held constant, profit after tax for the year would have been CHF 1.1 million lower mainly due to foreign exchange losses on EUR-denominated financial liabilities. A decrease of the rate would have caused a gain of the same amount.

Hypothetical impact of foreign exchange risk on income statement

millions of CHF				2018
Currency pair	EUR/RUB	USD/INR	USD/ARS	EUR/ZAR
Exposure	–12.1	18.0	4.1	–7.1
Volatility	13.3%	6.6%	27.4%	14.4%
Effect on profit after tax (rate increase)	–1.1	0.8	0.8	–0.7
Effect on profit after tax (rate decrease)	1.1	–0.8	–0.8	0.7

millions of CHF				2017
Currency pair	EUR/BRL	USD/INR	EUR/ZAR	EUR/USD
Exposure	–12.2	19.8	–5.2	–7.4
Volatility	14.1%	4.4%	15.5%	7.3%
Effect on profit after tax (rate increase)	–1.2	0.6	–0.6	–0.4
Effect on profit after tax (rate decrease)	1.2	–0.6	0.6	0.4

The following tables show the hypothetical influence on equity for 2018 and 2017 related to foreign exchange risk of financial instruments for the most important currency pairs as per December 31 of the respective year. The volatility used for the calculation is the one-year historic volatility on December 31 for the relevant currency pair and year. Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flows in foreign currencies.

Hypothetical impact of foreign exchange risk on equity

millions of CHF							2018
Currency pair	USD/BRL	USD/MXN	GBP/USD	USD/CHF	EUR/USD	EUR/RUB	EUR/BRL
Exposure	42.5	–34.6	48.0	–37.9	33.8	17.8	–8.7
Volatility	15.6%	13.1%	8.2%	6.5%	7.2%	13.3%	15.2%
Effect on equity, net of taxes (rate increase)	4.6	–3.2	2.8	–1.7	1.7	1.7	–0.9
Effect on equity, net of taxes (rate decrease)	–4.6	3.2	–2.8	1.7	–1.7	–1.7	0.9

millions of CHF							2017
Currency pair	GBP/USD	USD/CHF	USD/MXN	EUR/USD	EUR/CHF	USD/INR	EUR/INR
Exposure	50.2	–53.1	–30.9	34.3	–42.3	–27.8	–15.4
Volatility	8.9%	7.1%	12.2%	7.3%	4.9%	4.4%	7.2%
Effect on equity, net of taxes (rate increase)	3.1	–2.6	–2.6	1.7	–1.4	–0.9	–0.8
Effect on equity, net of taxes (rate decrease)	–3.1	2.6	2.6	–1.7	1.4	0.9	0.8

(II) Price risk

As of December 31, 2018, the group was not exposed to significant price risk related to investments in equity securities.

(III) Interest rate sensitivity

The group's interest rate risk arises from interest-bearing assets and liabilities. Assets and liabilities at variable rates expose the group to cash flow interest rate risk. Assets and liabilities at fixed rates only expose the group to fair value interest rate risk in the case of debt instruments that are classified as at fair value through profit or loss. The group analyzes its interest rate exposure on a net basis, and if required, enters into derivative instruments in order to keep the volatility of net interest income or expense limited. Currently, the group has not entered into such derivative financial instruments related to interest rate risk management. The group's non-current interest-bearing liabilities mainly comprise six bonds with a fixed interest rate.

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

Hypothetical impact of interest rate risk on income statement

millions of CHF				2018
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
USD	294.8	100	2.1	–2.1
CHF	265.4	100	1.9	–1.9
EUR	262.6	100	1.8	–1.8
CNY	66.8	100	0.5	–0.5
GBP	40.1	100	0.3	–0.3

millions of CHF				2017
			Impact on post-tax profit	
Variable-interest-bearing assets (net)	Amount	Sensitivity in basis points	rate increase	rate decrease
USD	–150.1	100	–1.0	1.0
CHF	127.8	100	0.9	–0.9
CNY	49.9	100	0.3	–0.3
EUR	45.7	100	0.3	–0.3
INR	38.9	100	0.3	–0.3

On December 31, 2018, if the interest rates on USD-denominated assets net of liabilities had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 2.1 million higher, as a result of higher interest income on USD-denominated assets. A decrease of interest rates on USD-denominated assets net of liabilities would have caused a loss of the same amount. As of December 31, 2017, if the interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been CHF 1.0 million lower, mainly as a result of higher interest expenses on short-term borrowings, because at this time the USD-denominated liabilities exceeded the assets.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, contract assets and committed transactions. The maximum exposure to credit risk per class of financial assets is outlined in the fair value table in note 6.3. Not exposed to credit risks are equity securities.

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

For every customer with a large order volume, an individual risk assessment of the credit quality of the customer is performed that considers independent ratings, financial position, past experience and other factors. Additionally, bank guarantees and letters of credit are requested. For more details on the credit risk out of contract assets, please refer to note 19 and on the credit risk out of trade accounts receivable, please refer to note 20.

c) Liquidity risk

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

Management anticipates the future development of the group's liquidity reserve on the basis of expected cash flows by performing regular group-wide cash forecasts. In 2017, the second of the two one-year extension options of the syndicated credit line of CHF 500 million was executed, and thus the credit line was extended to 2022. If special needs arise, financing will be reviewed case by case.

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

Maturity profile of financial liabilities

					2018
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	1'334.3	30.9	975.0	380.1	1'386.0
Trade accounts payable	521.8	521.8	–	–	521.8
Other current and non-current liabilities (including derivative liabilities)	249.5	245.9	18.3	0.1	264.3

					2017
millions of CHF	Carrying amount	<1 year	1–5 years	>5 years	Total
Borrowings	713.8	263.8	340.1	129.8	733.7
Trade accounts payable	433.8	433.8	–	–	433.8
Other current and non-current liabilities (including derivative liabilities)	88.7	71.1	17.3	0.3	88.7

6.2 Capital risk management

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

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

The following table shows the net debt/EBITDA ratio as at December 31, 2018 and 2017.

Net debt/EBITDA ratio

millions of CHF	2018	2017
Net debt	–239.0	–225.0
EBITDA	329.0	277.4
Net debt/EBITDA	0.73	0.81

Another important ratio for the group is the gearing ratio (debt-to-equity ratio), which is calculated as total financial debt divided by equity attributable to shareholders of Sulzer Ltd. The equity capital as shown in the balance sheet corresponds to the managed equity capital.

The increase in the gearing ratio during 2018 resulted mainly from the increase in borrowings.

As of December 31, 2018 and 2017, the gearing ratio was as follows:

Gearing ratio

millions of CHF	2018	2017
Borrowings	1’334.3	713.8
Equity attributable to shareholders of Sulzer Ltd	1’629.9	1’680.1
Borrowings-to-equity ratio (gearing)	0.82	0.42

6.3 Fair value estimation

The following tables present the carrying amounts and fair values of financial assets and liabilities as of December 31, 2018 and 2017, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

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

The fair value of financial instruments traded in active markets, including the outstanding bonds, is based on quoted market prices at the balance sheet date. Such instruments are included in level 1.

The fair values included in level 2 are based on valuation techniques using observable market input data. This may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates.

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

Contingent considerations are linked to the fulfillment of certain parameters, mainly related to earn-out clauses and technology transfer. For more information please refer to note 4.

Fair value table

						December 31, 2018
millions of CHF	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Other financial assets (at fair value)	17	6.8	6.8	0.2	–	6.6
Derivative assets – current	21, 28	6.4	6.4	–	6.4	–
Total financial assets measured at fair value		**13.1**	**13.1**	**0.2**	**6.4**	**6.6**
Financial assets not measured at fair value						
Other financial assets (at amortized cost)	17	2.7				
Non-current receivables (excluding non-current derivative assets)		6.2				
Contract assets	19	205.1				
Trade accounts receivable	20	622.3				
Other current receivables (excluding current derivative assets and other taxes)	21	24.3				
Cash and cash equivalents	22	1’095.2				
Total financial assets not measured at fair value		**1’955.7**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities – non-current	28	0.2	0.2	–	0.2	–
Derivative liabilities – current	27, 28	8.4	8.4	–	8.4	–
Contingent considerations	4	0.9	0.9	–	–	0.9
Total financial liabilities measured at fair value		**9.6**	**9.6**	**–**	**8.7**	**0.9**
Financial liabilities not measured at fair value						
Outstanding bonds	25	1’308.7	1’312.6	1’312.6	–	–
Other non-current borrowings	25	7.6				
Other current borrowings and bank loans	25	18.0				
Other non-current liabilities		3.6				
Trade accounts payable		521.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)		211.3				
Total financial liabilities not measured at fair value		**2’070.9**	**1’312.6**	**1’312.6**	**–**	**–**

Fair value table

						December 31, 2017
millions of CHF	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Derivative assets – non-current	28	0.2	0.2	–	0.2	–
Derivative assets – current	21, 28	7.3	7.3	–	7.3	–
Total financial assets measured at fair value		**7.5**	**7.5**	**–**	**7.5**	**–**
Financial assets not measured at fair value						
Loans and receivables	17	9.4				
Available-for-sale financial assets	17	4.2				
Non-current receivables (excluding non-current derivative assets)		8.6				
Trade accounts receivable	20	901.8				
Other current receivables (excluding current derivative assets and other taxes)	21	27.0				
Cash and cash equivalents	22	488.8				
Total financial assets not measured at fair value		**1'439.8**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities – current	28	6.8	6.8	–	6.8	–
Contingent considerations	4	5.1	5.1	–	–	5.1
Put option liability	4	14.6	14.6	–	–	14.6
Total financial liabilities measured at fair value		**26.5**	**26.5**	**–**	**6.8**	**19.7**
Financial liabilities not measured at fair value						
Outstanding bonds	25	450.4	456.0	456.0	–	–
Other non-current borrowings	25	8.3				
Other current borrowings and bank loans	25	255.1				
Other non-current liabilities (excluding put option liability)		3.0				
Trade accounts payable		433.8				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)		23.9				
Total financial liabilities not measured at fair value		**1'174.5**	**456.0**	**456.0**	**–**	**–**

7 Corporate risk management

Sulzer maintains an integrated risk management system that is under constant scrutiny for further improvement. A defined risk management process and four common tools (risk assessment schedule, risk-profiling matrix, risk description schedule, loss control schedule) are applied in order to assess and control all key risks, to implement and maintain risk financing and risk transfer measures, to monitor the results, and to define and implement corrective actions if required.

Key risks are assessed on business unit level and consolidated on group level. The business units together with the divisions and the group functions generate their respective key risk-profiling matrices and complete and update the related risk control schedules on an annual basis. These schedules identify specific risk exposures and the related risk objectives, list existing loss controls, address their effectiveness, list (where required) additional or alternative loss controls, and determine responsibilities and time frames for their implementation. The business units' key risk-profiling matrices are reviewed at the group level and are then consolidated into a Sulzer key risk-profiling matrix. The head of Risk Management informs the Audit Committee at least once a year of the current risks and risk mitigation as well as of the progress toward achieving major risk objectives. The assessment of risk management processes is included within the charter and scope of Group Internal Audit.

8 Personnel expenses

millions of CHF	2018	2017
Salaries and wages	889.4	853.1
Defined contribution plan expenses	25.7	25.7
Defined benefit plan expenses	21.8	18.7
Cost of share-based payment transactions	15.1	10.8
Social benefit costs	141.2	137.2
Other personnel costs	36.5	32.7
Total personnel expenses	**1'129.7**	**1'078.2**

9 Employee benefit plans

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

Reconciliation of the amount recognized in the balance sheet as of December 31

						2018
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans Others	Unfunded plans	Total
Present value of funded defined benefit obligation	–1'106.0	–511.0	–60.8	–78.5	–	–1'756.3
Fair value of plan assets (funded plans)	1'116.6	432.5	44.5	63.9	–	1'657.5
Overfunding / (underfunding)	**10.6**	**–78.5**	**–16.3**	**–14.6**	**–**	**–98.8**
Present value of unfunded defined benefit obligation	–	–	–	–	–48.8	–48.8
Adjustment to asset ceiling	–0.9	–	–	–	–	–0.9
Asset / (liability) recognized in the balance sheet	**9.7**	**–78.5**	**–16.3**	**–14.6**	**–48.8**	**–148.5**
– thereof as liabilities under defined benefit obligation	–2.6	–78.5	–16.3	–14.7	–48.8	–160.9
– thereof as other current receivables and prepaid expenses	12.3	–	–	0.1	–	12.4

						2017
millions of CHF	Funded plans Switzerland	Funded plans United Kingdom	Funded plans USA	Funded plans Others	Unfunded plans	Total
Present value of funded defined benefit obligation	–1'218.3	–634.4	–65.4	–79.5	–	–1'997.6
Fair value of plan assets	1'210.6	502.3	45.9	65.5	–	1'824.3
Overfunding / (underfunding)	**–7.7**	**–132.1**	**–19.5**	**–14.0**	**–**	**–173.3**
Present value of unfunded defined benefit obligation	–	–	–	–	–50.9	–50.9
Adjustment to asset ceiling	–1.6	–	–	–	–	–1.6
Asset / (liability) recognized in the balance sheet	**–9.3**	**–132.1**	**–19.5**	**–14.0**	**–50.9**	**–225.8**
– thereof as liabilities under defined benefit obligation	–22.5	–132.1	–19.5	–14.1	–50.9	–239.1
– thereof as other current receivables and prepaid expenses	13.2	–	–	0.1	–	13.3

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

In Switzerland, Sulzer contributes to two pension plans funded via two different pension funds, i.e. a base plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide benefits depending on the pension savings at retirement. They include certain legal minimum interest credits to the pension savings (i.e. investment return) and guaranteed rates of conversion of pension savings into an annuity at retirement. In addition, the plans offer death in service and disability benefits. The two pension funds are collective funds administrating pension plans of Sulzer group companies and also unrelated companies. In case of a material underfunding of the pension plans, the regulations include predefined steps, such as higher contribution by employer and employees or lower interest on pension savings, to eliminate the underfunding. The pension funds are legally separated from the group. The vast majority of the active participants in the two pension funds are employed by companies not belonging to the Sulzer group. The Board of Trustees for the base plan comprises ten employee and ten employer representatives. The average discount rate slightly increased in 2018 compared to 2017 (from 0.7% to 0.9% for active employees and from 0.4% to 0.6% for pensioners). More active plan participants and fewer retirees resulted in a lower defined benefit obligation in 2018 compared to 2017. The plan assets decreased compared to 2017 due to less return on plan assets. The total expenses recognized in the income statement in 2018 were CHF 15.2 million (2017: CHF 15.3 million).

In the UK, the plan is a final salary plan and provides benefits linked to salary at closure to future accrual adjusted for inflation to retirement or earlier date of leaving service. The scheme is fully closed to new entrants and future accruals. The scheme is managed by six trustees forming the Board. The plan is a multi-employer scheme with Sulzer (UK) Holding being the principal sponsor. The discount rate increased by 0.5 percentage points to 3.0% (2017: 2.5%). The net pension liabilities decreased from CHF 132.1 million in 2017 to CHF 78.5 million, due to changes in financial and demographic assumptions. The total expenses recognized in the income statement in 2018 were CHF 3.4 million compared to CHF 5.1 million in 2017.

In the USA, Sulzer operates non-contributory defined benefit retirement plans. The salaried plans provide benefits that are based on years of service and the employee’s compensation, averaged over the five highest consecutive years preceding retirement. The hourly plans’ benefits are based on years of service and a flat dollar benefit multiplier. All plans were closed for new entrants. In 2018, an expense of CHF 0.7 million was recognized in the income statement (2017: CHF 0.9 million). The discount rate increased to 4.2% in 2018 (2017: 3.6%). The amount recognized in other comprehensive income (OCI) in 2018 was CHF –3.0 million (2017: CHF –1.1 million).

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

Employee benefit plans

millions of CHF	2018	2017
Reconciliation of effect of asset ceiling		
Adjustment to asset ceiling at January 1	–1.6	–2.3
Change in effect of asset ceiling excl. interest income / (expense)	0.7	0.7
Adjustment to asset ceiling at December 31	**–0.9**	**–1.6**
Reconciliation of asset / (liability) recognized in the balance sheet		
Asset / (liability) recognized at January 1	–225.8	–329.9
Defined benefit income / (expense) recognized in the income statement	–26.7	–25.7
Defined benefit income / (expense) recognized in OCI	68.7	113.6
Employer contribution	27.4	29.8
Acquired through business combination	–	–2.7
Currency translation differences	7.9	–10.9
Asset / (liability) recognized at December 31	**–148.5**	**–225.8**
Components of defined benefit income / (expense) in the income statement		
Current service cost (employer)	–21.3	–18.2
Interest expense	–25.0	–27.4
Interest income on plan assets	20.1	20.4
Past service cost	–0.7	–0.1
Effects of curtailments and settlement	1.0	0.2
Other administrative cost	–0.8	–0.6
Income / (expense) recognized in the income statement	**–26.7**	**–25.7**
– thereof charged to personnel expenses	–21.8	–18.7
– thereof charged to financial expense	–4.9	–7.0
Components of defined benefit gain / (loss) in OCI		
Actuarial gain / (loss) on defined benefit obligation	140.8	29.4
Return on plan assets excl. interest income	–73.0	83.4
Change in effect of asset ceiling excl. interest expense / (income)	0.8	0.7
Return on reimbursement right excl. interest income	0.1	0.1
Defined benefit gain / (loss) recognized in OCI[1)]	**68.7**	**113.6**

1) The tax effect on defined benefit cost recognized in OCI amounted to CHF –12.8 million (2017: CHF –21.8 million).

Employee benefit plans

millions of CHF	2018	2017
Reconciliation of defined benefit obligation		
Defined benefit obligation as of January 1	–2’048.5	–2’110.9
Interest expense	–25.0	–27.4
Current service cost (employer)	–21.3	–18.2
Contributions by plan participants	–9.7	–9.7
Past service cost	–0.7	–0.1
Benefits paid/deposited	124.0	139.7
Effects of curtailments and settlement	2.8	0.2
Acquired through business combination	–	–13.5
Other administrative cost	–0.8	–0.6
Actuarial gain / (loss)	140.8	29.4
Currency translation differences	33.3	–37.4
Defined benefit obligation as of December 31 1)	**–1’805.1**	**–2’048.5**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	1’824.3	1’783.3
Interest income on plan assets	20.1	20.4
Employer contribution	27.4	29.8
Contributions by plan participants	9.6	9.7
Benefits paid/deposited	–124.0	–139.7
Effects of curtailments and settlement	–1.8	–0.2
Acquired through business combination	–	10.8
Return on plan assets excl. interest income	–73.0	83.4
Currency translation differences	–25.1	26.8
Fair value of plan assets as of December 31	**1’657.5**	**1’824.3**
Total plan assets at fair value – quoted market price		
Cash and cash equivalents	49.1	94.5
Equity instruments	539.7	623.0
Debt instruments	476.2	513.4
Real estate funds	41.0	32.7
Investment funds	3.8	3.4
Others	79.0	76.3
Total assets at fair value – quoted market price as of December 31	**1’188.8**	**1’343.3**
Total plan assets at fair value – non-quoted market price		
Properties occupied by or used by third parties (real estate)	280.7	272.0
Others	188.0	209.0
Total assets at fair value – non-quoted market price as of December 31	**468.7**	**481.0**
Best estimate of contributions for upcoming financial year		
Contributions by the employer	26.2	26.0

1) The defined benefit obligation 2018 includes the funded part (CHF 1’756.3 million) and the unfunded part (CHF 48.8 million).

Employee benefit plans

millions of CHF	2018	2017
Components of defined benefit obligation, split		
Defined benefit obligation for active members	–318.5	–354.7
Defined benefit obligation for pensioners	–1’193.5	–1’325.0
Defined benefit obligation for deferred members	–293.1	–368.8
Total defined benefit obligation at December 31	**–1’805.1**	**–2’048.5**
Components of actuarial gain / (losses) on obligations		
Actuarial gain / (loss) arising from changes in financial assumptions	104.7	–7.1
Actuarial gain / (loss) arising from changes in demographic assumptions	50.2	19.6
Actuarial gain / (loss) arising from experience adjustments	–14.1	16.9
Total actuarial gain / (loss) on defined benefit obligation	**140.8**	**29.4**
Components of economic benefit available		
Economic benefits available in form of refund	–32.6	–
Economic benefits available in form of reduction in future contribution	257.8	453.9
Total economic benefit available	**225.2**	**453.9**
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	13.2	13.8

Since the defined benefit obligation for the Swiss and UK pension plans represents 92% (2017: 91%) of the group, the following significant actuarial assumptions apply exclusively to these two countries:

Principal actuarial assumptions as of December 31

	2018		2017	
	Funded plans Switzerland	Funded plans United Kingdom	Funded plans Switzerland	Funded plans United Kingdom
Discount rate for active employees	0.9%	3.0%	0.7%	2.5%
Discount rate for pensioners	0.6%	3.0%	0.4%	2.5%
Future salary increases	1.0%	0.0%	1.0%	0.0%
Future pension increases	0.0%	2.7%	0.0%	2.5%
Life expectancy at retirement age (male/female) in years	23/25	22/23	23/25	22/24

Sensitivity analysis of defined benefit obligation

millions of CHF	2018	2017
Discount rate (decrease 0.25 percentage points)	–58.3	–71.7
Discount rate (increase 0.25 percentage points)	55.7	67.5
Future salary growth (decrease 0.25 percentage points)	5.2	3.1
Future salary growth (increase 0.25 percentage points)	–1.5	–3.2
Life expectancy (decrease 1 year)	89.0	105.5
Life expectancy (increase 1 year)	–85.5	–104.2

10 Research and development expenses

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

millions of CHF	2018	2017
Pumps Equipment	45.1	39.0
Rotating Equipment Services	1.1	1.4
Chemtech	17.2	16.3
Applicator Systems	22.5	23.8
Others	0.5	0.5
Total	**86.4**	**81.0**

11 Other operating income and expenses

millions of CHF	2018	2017
Income from release of contingent consideration	1.5	2.6
Gain from sale of property, plant and equipment	6.0	4.6
Operating currency exchange gains, net	2.2	1.3
Other operating income	40.2	13.7
Total other operating income	**49.9**	**22.2**
Restructuring expenses	–13.1	–21.7
Impairments of property, plant and equipment	–4.4	–15.4
Cost for mergers and acquisitions	–1.4	–4.1
Loss from sale of property, plant and equipment	–0.2	–0.2
Total other operating expenses	**–19.1**	**–41.4**
Total other operating income and expenses, net	**30.8**	**–19.2**

During 2018, the group reassessed the achievement of the earn-out targets related to contingent consideration arrangements. The reassessment resulted in an income of CHF 1.5 million (2017: CHF 2.6 million).

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales from customers. During 2018, the group sold unquoted equity instruments previously measured at cost to Sulzer Vorsorgeeinrichtung, Sulzer's pension fund in Switzerland. The transaction price was CHF 31.7 million and the resulting profit CHF 28.5 million. The transaction was priced on an arm's length basis and was settled in cash prior to December 31, 2018.

As part of the Sulzer Full Potential (SFP) program, Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. In 2018, restructuring expenses were mainly associated with measures taken in Brazil, Germany, the US, France, the Netherlands and Belgium. The group recognized restructuring provisions of CHF 14.9 million (2017: CHF 21.7 million). Associated with restructuring initiatives, the group further recognized impairments on property, plant and equipment of CHF 4.4 million (2017: CHF 15.4 million). For more details refer to note 15.

The functional allocation of the total restructuring expenses and impairments is as follows: Cost of goods sold CHF –4.1 million (2017: CHF –20.0 million), selling and distribution expenses CHF –

1.8 million (2017: CHF –3.7 million), general and administrative expenses CHF –11.1 million (2017: CHF –13.4 million) and research and development expenses CHF –0.5 million (2017: CHF 0.0 million).

12 Financial income and expenses

millions of CHF	2018	2017
Interest and securities income	2.9	4.1
Total interest and securities income	**2.9**	**4.1**
Interest expenses	–15.4	–8.2
Interest expenses on employee benefit plans	–4.9	–7.0
Total interest expenses	**–20.3**	**–15.2**
Total interest income and expenses, net	**–17.4**	**–11.1**
Income from investments and other financial assets	0.5	0.8
Fair value changes	8.6	1.2
Other financial expenses	–2.0	–1.2
Currency exchange gains/losses, net	–8.7	–0.5
Total other financial income and expenses, net	**–1.5**	**0.3**
Total financial income and expenses, net	**–18.9**	**–10.8**
– thereof fair value changes on financial assets at fair value through profit and loss	8.6	1.2
– thereof other income from financial assets at fair value through profit and loss	0.5	0.8
– thereof interest income on financial assets at amortized costs	2.9	4.1
– thereof other financial expenses	–2.0	–1.2
– thereof currency exchange gains/losses, net	–8.7	–0.5
– thereof interest expenses on borrowings	–15.4	–8.2
– thereof interest expenses on employee benefit plans	–4.9	–7.0

Interest expenses increased mainly due to the higher level of borrowings under the syndicated credit facility. Total interest expenses on bonds increased to CHF 5.4 million (2017: CHF 2.2 million). Interest expenses related to other borrowings increased to CHF 10.0 million (2017: CHF 6.0 million) due to the higher levels of other borrowings and increased borrowing rates.

The “Fair value changes” largely comprise the fair valuation of derivative financial instruments that are classified as financial assets or financial liabilities at fair value through profit and loss and that are used as hedging instruments with regard to foreign exchange risks.

13 Income taxes

millions of CHF	2018	2017
Current income tax expenses	–69.4	–55.4
Deferred income tax income	20.3	17.2
Total income tax expenses	**–49.2**	**–38.2**

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

Reconciliation of income tax expenses

millions of CHF	2018	2017
Income before income tax expenses	165.6	125.4
Weighted average tax rate	**22.0%**	**22.8%**
Income taxes at weighted average tax rate	–36.4	–28.6
Income taxed at different tax rates	5.9	6.1
Effect of tax loss carryforwards and allowances for deferred income tax assets	–7.9	–4.6
Expenses not deductible for tax purposes	–5.8	–4.3
Effect of changes in tax rates and legislation	–3.7	–4.8
Prior year items and others	–1.3	–2.0
Total income tax expenses	**–49.2**	**–38.2**
Effective income tax rate	29.7%	30.5%

The effective income tax rate for 2018 is 29.7% (2017: 30.5%). The effect of tax loss carryforwards and allowances for deferred income tax assets in the amount of CHF 7.9 million is mainly related to restructuring expenses in China and expenses in the UK with no corresponding tax effect. The effect of changes in tax rates and legislation of CHF 3.7 million is mainly related to final US Tax Reform adjustments in the amount of CHF 2.7 million. Excluding these one-time effects, the effective income tax rate for 2018 would have been 23.1%. The effective income tax rate for 2017 of 30.5% was impacted by the enacted US Tax Reform and various restructuring expenses with no corresponding tax effects. Excluding these extraordinary effects, the effective income tax rate in 2017 would have been 23.4%.

Income tax liabilities

millions of CHF	2018	2017
Balance as of January 1	27.1	16.5
Acquired through business combination	0.3	2.0
Additions	35.5	51.9
Released as no longer required	–1.6	–
Utilized	–25.7	–44.3
Currency translation differences	–1.3	1.0
Total income tax liabilities as of December 31	**34.3**	**27.1**
– thereof non-current	2.3	2.3
– thereof current	32.0	24.8

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

			2018			2017
millions of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	12.4	–96.1	–83.7	0.5	–107.7	–107.2
Property, plant and equipment	6.2	–12.0	–5.8	7.4	–10.9	–3.5
Other financial assets	4.5	–0.0	4.5	0.2	–0.1	0.1
Inventories	17.6	–12.7	4.9	22.1	–4.5	17.6
Other assets	34.1	–10.1	24.0	19.7	–18.6	1.1
Non-current provisions	14.5	–2.2	12.3	16.7	–2.5	14.2
Defined benefit plans	20.4	–0.1	20.3	35.4	–0.3	35.1
Current provisions	22.6	–0.8	21.8	22.9	–3.7	19.2
Other current liabilities	27.4	–9.2	18.2	28.5	–8.9	19.6
Tax loss carryforwards	32.3	–	32.3	38.0	–	38.0
Elimination of intercompany profits	0.6	–	0.6	0.7	–	0.7
Tax assets/liabilities	**192.7**	**–143.3**	**49.4**	**192.1**	**–157.2**	**34.9**
Offset of assets and liabilities	–53.8	53.8	–	–52.4	52.4	–
Net recorded deferred income tax assets and liabilities	138.9	–89.5	49.4	139.7	–104.8	34.9

Cumulative deferred income taxes recorded in equity as of December 31, 2018, amounted to CHF 13.8 million (2017: CHF 25.9 million). In compliance with the exception clause of IAS 12, the group does not recognize deferred taxes on investments in subsidiaries in the balance sheet.

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

						2018
millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of subsidiaries	Currency translation differences	Balance as of December 31
Intangible assets	–107.2	20.0	–	–0.7	4.2	–83.7
Property, plant and equipment	–3.5	–1.4	–	–	–0.9	–5.8
Other financial assets	0.1	4.3	–	–	–	4.5
Inventories	17.5	–12.0	–	–0.4	–0.2	4.9
Other assets	9.8	14.4	0.6	–	–0.8	24.0
Non-current provisions	14.2	–1.4	–	–	–0.5	12.3
Defined benefit plans	35.1	–1.5	–12.8	–	–0.5	20.3
Current provisions	19.2	3.4	–	–	–0.8	21.8
Other current liabilities	19.6	–1.0	–	–	–0.4	18.2
Tax loss carryforwards	38.0	–4.3	–	–	–1.4	32.3
Elimination of intercompany profits	0.7	–0.1	–	–	–	0.6
Total	**43.6**	**20.3**	**–12.1**	**–1.1**	**–1.3**	**49.4**

The deferred income tax assets and liabilities as of January 1, 2018, have been adjusted by CHF 8.7 million due to the new accounting standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”. Further details are provided in note 34.

						2017
millions of CHF	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition of subsidiaries	Currency translation differences	Balance as of December 31
Intangible assets	–98.6	10.5	–	–19.1	–	–107.2
Property, plant and equipment	–10.8	7.4	–	–0.1	–	–3.5
Other financial assets	–0.7	1.9	–1.1	–	–	0.1
Inventories	17.7	–0.1	–	–0.6	0.6	17.6
Other assets	15.6	–14.2	–	–	–0.3	1.1
Non-current provisions	15.0	–1.0	–	–	0.2	14.2
Defined benefit plans	59.9	–4.1	–21.8	–	1.1	35.1
Current provisions	25.0	–5.5	–	–	–0.3	19.2
Other current liabilities	9.4	10.1	–	–	0.1	19.6
Tax loss carryforwards	28.8	12.2	–	–	–3.0	38.0
Elimination of intercompany profits	0.7	–	–	–	–	0.7
Total	**62.0**	**17.2**	**–22.9**	**–19.8**	**–1.6**	**34.9**

Tax loss carryforwards (TLCF)

					2018
millions of CHF	Amount	Potential tax assets	Valuation allowance	Carrying amount	TLCF
Expiring in the next 3 years	13.6	2.0	–0.1	1.9	0.6
Expiring in 4–7 years	50.2	10.8	–4.5	6.2	14.1
Available without limitation	200.3	37.4	–13.3	24.1	95.6
Total tax loss carryforwards as of December 31	**264.0**	**50.2**	**–17.9**	**32.3**	**110.3**

					2017
millions of CHF	Amount	**Potential tax assets**	**Valuation allowance**	Carrying amount	**TLCF**
Expiring in the next 3 years	3.9	0.9	–0.1	0.8	0.5
Expiring in 4–7 years	92.3	21.1	–3.1	18.0	14.3
Available without limitation	160.4	34.0	–14.8	19.2	71.4
Total tax loss carryforwards as of December 31	**256.6**	**56.0**	**–18.0**	**38.0**	**86.2**

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets have been recognized on tax loss carryforwards in the amount of CHF 110.3 million (2017: CHF 86.2 million).

14 Intangible assets

						2018
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
Acquisition cost						
Balance as of January 1	1'205.7	180.8	11.7	47.8	543.5	1'989.5
Acquired through business combination	88.7	40.9	–	0.3	55.6	185.5
Additions	–	0.1	0.3	6.5	–	6.9
Disposals	–	–3.2	–	–1.6	–0.6	–5.4
Currency translation differences	–31.0	–4.6	1.9	–1.0	–24.1	–58.8
Balance as of December 31	**1'263.4**	**214.0**	**13.8**	**52.1**	**574.4**	**2'117.7**
Accumulated amortization						
Balance as of January 1	340.0	119.0	4.4	42.6	197.0	703.0
Additions	–	15.5	1.9	2.7	48.9	69.0
Disposals	–	–3.1	–	–1.5	–0.6	–5.3
Currency translation differences	–	–3.4	2.0	–0.8	–9.7	–11.9
Balance as of December 31	**340.0**	**128.1**	**8.3**	**43.0**	**235.6**	**754.9**
Net book value						
As of January 1	865.7	61.8	7.3	5.2	346.5	1'286.5
As of December 31	923.4	85.9	5.6	9.1	338.8	1'362.8

						2017
millions of CHF	Goodwill	Trademarks and licenses	Research and development	Computer software	Customer relationship	Total
Acquisition cost						
Balance as of January 1	1'120.1	149.3	8.7	48.1	433.0	1'759.2
Acquired through business combination	50.3	25.9	2.2	0.1	83.0	161.5
Additions	–	0.1	0.5	1.9	0.1	2.6
Disposals	–	–0.3	–	–3.0	–	–3.3
Currency translation differences	35.3	5.8	0.3	0.7	27.4	69.5
Balance as of December 31	**1'205.7**	**180.8**	**11.7**	**47.8**	**543.5**	**1'989.5**
Accumulated amortization						
Balance as of January 1	340.0	105.0	2.5	43.0	153.3	643.8
Additions	–	11.8	1.8	2.5	37.7	53.8
Disposals	–	–0.3	–	–3.0	–	–3.3
Currency translation differences	–	2.5	0.1	0.1	6.0	8.7
Balance as of December 31	**340.0**	**119.0**	**4.4**	**42.6**	**197.0**	**703.0**
Net book value						
As of January 1	780.1	44.3	6.2	5.1	279.7	1'115.4
As of December 31	865.7	61.8	7.3	5.2	346.5	1'286.5

Goodwill impairment test

	2018			2017		
millions of CHF	Goodwill	Growth rate residual value	Pre-tax discount rate	Goodwill	Growth rate residual value	Pre-tax discount rate
Pumps Equipment	394.0	2.0%	9.0%	320.7	2.0%	9.2%
Rotating Equipment Services – region EMEA	139.2	2.0%	10.7%	146.7	2.0%	12.5%
Rotating Equipment Services – region APAC	7.9	2.0%	12.0%	8.6	2.0%	12.4%
Rotating Equipment Services – region AME	71.9	2.0%	10.8%	72.8	2.0%	12.8%
Chemtech – Separation Technology	18.6	1.0%	10.2%	71.7	2.0%	9.9%
Chemtech – Tower Field Service	70.3	2.0%	9.8%	19.4	1.0%	10.4%
Applicator Systems	221.5	1.0%	6.1%	225.8	1.0%	6.6%
Total goodwill as of December 31	**923.4**			**865.7**		

Goodwill is allocated to the smallest cash-generating unit at which goodwill is monitored for internal management purposes (i.e. division, business units or areas). The recoverable amount of these units is determined over a five-year cash flow projection period. The calculation uses the budget for next year (2019), the three-year strategic plan for subsequent two periods (2020–2021), and a management calculation for the next two periods (2022–2023). The budget has been reviewed by the Board of Directors. Cash flows beyond the planning period are extrapolated using a terminal value including the growth rates as stated above.

Sensitivity analyses

The recoverable amount from cash-generating units is measured on the basis of value-in-use calculations significantly impacted by the terminal growth rate used to determine the residual value, the discount rate, and the projected cash flows. The table below shows the amount which the estimated recoverable amount of the CGU is exceeding its carrying amount (headroom). Management has identified that for some CGUs a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount. Blank fields indicate that the field is not meaningful (not reasonably possible).

	2018			2017		
millions of CHF	Headroom	Terminal growth rate: Change required for carrying amount to equal recoverable amount	Pre-tax discount rate: Change required for carrying amount to equal recoverable amount	Headroom	Terminal growth rate: Change required for carrying amount to equal recoverable amount	Pre-tax discount rate: Change required for carrying amount to equal recoverable amount
Pumps Equipment	217.6	–1.8%	1.5%	250.9	–2.5%	2.1%
Rotating Equipment Services – region EMEA	717.0			454.5		
Rotating Equipment Services – region APAC	109.0			193.3		
Rotating Equipment Services – region AME	401.1			329.6		
Chemtech – Separation Technology	671.6			486.3		
Chemtech – Tower Field Service	30.3			52.4		
Applicator Systems	1’750.0			1’608.8		
Total headroom as of December 31	**3’896.6**			**3’375.8**		

15 Property, plant and equipment

					2018
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
Acquisition cost					
Balance as of January 1	402.5	750.0	182.6	36.0	1’371.1
Acquired through business combination	9.0	2.1	0.0	-	11.1
Additions	7.4	30.3	11.9	39.6	89.3
Disposals	–22.3	–48.3	–6.0	-	–76.6
Reclassifications	2.5	19.9	4.5	–26.9	-
Currency translation differences	–12.7	–26.5	–7.6	–1.3	–48.1
Balance as of December 31	**386.4**	**727.5**	**185.6**	**47.3**	**1’346.8**
Accumulated depreciation					
Balance as of January 1	178.2	512.3	149.0	-	839.5
Additions	13.4	46.4	11.9	-	71.7
Disposals	–15.4	–44.9	–5.6	-	–66.0
Impairments	-	4.3	0.1	-	4.4
Currency translation differences	–5.1	–18.6	–6.1	-	–29.8
Balance as of December 31	**171.0**	**499.0**	**149.7**	**-**	**819.7**
Net book value					
As of January 1	224.3	237.7	33.6	36.0	531.6
As of December 31	215.4	228.5	35.9	47.3	527.0
Thereof leased property, plant and equipment					
Acquisition cost of leased property, plant and equipment	6.6	2.0	0.5	-	9.1
Accumulated depreciation	0.8	0.4	0.2	-	1.4
Net book value as of December 31	**5.8**	**1.6**	**0.3**	**-**	**7.7**
Leasing commitments (present value) as of December 31	**6.5**	**1.8**	**0.3**	**-**	**8.6**

The group performed impairment tests on the related production machines and facilities, resulting in impairments of CHF 4.4 million as of December 31, 2018 (December 31, 2017: CHF 15.4 million), all of which were charged to other operating expenses.

In 2018 the group sold property, plant and equipment with a book value of CHF 10.7 million for CHF 16.6 million resulting in a net gain of CHF 5.8 million (2017: book value of CHF 8.4 million sold for CHF 12.8 million resulted in a net gain of CHF 4.4 million).

					2017
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
Acquisition cost					
Balance as of January 1	383.6	713.0	187.2	32.6	1'316.4
Acquired through business combination	10.5	15.0	1.5	1.0	28.0
Additions	7.0	30.8	8.7	32.1	78.6
Disposals	–12.4	–45.1	–20.5	–	–78.0
Reclassifications	7.7	19.8	2.3	–29.8	–
Currency translation differences	6.1	16.5	3.4	0.1	26.1
Balance as of December 31	**402.5**	**750.0**	**182.6**	**36.0**	**1'371.1**
Accumulated depreciation					
Balance as of January 1	164.8	488.6	152.0	–	805.4
Additions	13.4	47.3	11.0	–	71.7
Disposals	–6.9	–42.6	–20.1	–	–69.6
Impairments	4.4	8.8	2.2	–	15.4
Currency translation differences	2.5	10.2	3.9	–	16.6
Balance as of December 31	**178.2**	**512.3**	**149.0**	**–**	**839.5**
Net book value					
As of January 1	218.8	224.4	35.2	32.6	511.0
As of December 31	224.3	237.7	33.6	36.0	531.6
Thereof leased property, plant and equipment					
Acquisition cost of leased property, plant and equipment	7.0	1.5	0.3	–	8.8
Accumulated depreciation	0.7	0.2	0.3	–	1.2
Net book value as of December 31	**6.3**	**1.3**	**–**	**–**	**7.6**
Leasing commitments (present value) as of December 31	**6.7**	**1.2**	**–**	**–**	**7.9**

16 Associates

millions of CHF	2018	2017
Balance as of January 1	10.3	5.8
Additions	2.4	4.6
Share of profit/loss of associates	0.7	–0.3
Dividend payments received	–0.1	–
Currency translation differences	0.1	0.2
Total investments in associates as of December 31	**13.4**	**10.3**

17 Other financial assets

			2018
millions of CHF	Financial assets at fair value through profit and loss	Financial assets at amortized costs	**Total**
Balance as of January 1	9.3	4.3	13.6
Additions	0.6	-	0.6
Disposals	–3.1	–0.6	–3.8
Currency translation differences	-	–1.0	–1.0
Balance as of December 31	**6.8**	**2.7**	**9.4**

			2017
millions of CHF	Available-for-sale	Loans and receivables	Total
Balance as of January 1	4.5	8.6	13.1
Additions	-	0.3	0.3
Disposals	–0.4	-	–0.4
Currency translation differences	0.1	0.5	0.6
Balance as of December 31	**4.2**	**9.4**	**13.6**

The group reviewed its financial assets as of December 31, 2017, considering the new measurement categories provided under IFRS 9. The financial assets classified as “loans and receivables” have been classified as “financial assets at amortized costs”. The “available-for-sale financial assets” have been classified as “financial assets at fair value through profit and loss”.

Financial assets that belong to the categories “financial assets at fair value through profit and loss” include investments in equity securities. There is an exemption from measurement at fair value of such assets if its fair value cannot be measured reliably. The exemption applies to equity instruments that do not have a quoted price in an active market. The group therefore measures some of its fair value assets at cost.

During 2018, the group sold unquoted equity instruments previously measured at cost to Sulzer Vorsorgeeinrichtung, Sulzer’s pension fund in Switzerland. The transaction price was CHF 31.7 million and the resulting profit CHF 28.5 million. The transaction was priced on an arm’s length basis and was settled in cash prior to December 31, 2018.

18 Inventories

millions of CHF	**2018**	**2017**
Raw materials, supplies and consumables	240.0	199.0
Work in progress	303.5	178.0
Finished products and trade merchandise	115.4	111.0
Total inventories as of December 31	**658.9**	**488.0**

In 2018, Sulzer recognized write-downs of CHF 17.7 million (2017: CHF 13.0 million) in the income statement. Total accumulated write-downs on inventories amounted to CHF 74.3 million as of December 31, 2018 (2017: CHF 70.1 million). Material expenses in 2018 amounted to CHF 1’223.4 million (2017: CHF 1’102.6 million).

19 Assets and liabilities related to contracts with customers

millions of CHF	2018
Sales recognized over time related to ongoing performance obligations	431.4
Sales recognized over time related to satisfied performance obligations	353.2
Sales recognized over time	**784.6**
Sales recognized at a point in time	2'580.3
Sales	**3'364.9**
– thereof sales recognized included in the contract liability balance at the beginning of the period	291.1
– thereof sales recognized from performance obligations satisfied (or partially satisfied) in previous periods	1.1
Cost of goods sold recognized over time related to ongoing performance obligations	–330.2
Cost of goods sold recognized over time related to satisfied performance obligations	–270.6
Cost of goods sold recognized over time	**–600.8**
Cost of goods sold recognized at a point in time	–1'785.8
Cost of goods sold	**–2'386.6**
Gross profit recognized over time related to ongoing performance obligations	101.2
Gross profit recognized over time related to satisfied performance obligations	82.6
Gross profit recognized over time	**183.8**
Gross profit recognized at a point in time	794.5
Gross profit	**978.3**
Contract assets from sales recognized over time relating to ongoing performance obligations	638.7
Assets recognized from costs incurred to obtain a contract	–
Expected loss rate	0.1%
Allowance for expected losses	–0.3
Netting with contract liabilities	–433.3
Contract assets	**205.1**
Advance payments from customers relating to point in time contracts	229.8
Advance payments from customers relating to over time contracts	459.9
Netting with contract assets	–433.3
Contract liabilities	**256.4**
Order backlog (aggregate amount of transaction price allocated to unsatisfied performance obligations)	1'786.9
– thereof expected to be recognized as revenue within 12 months	1'661.6
– thereof expected to be recognized in more than 12 months	125.3

The group has applied IFRS 15 “Revenue from contracts with customers” as of January 1, 2018, using the cumulative effect method. Accordingly, the information for 2017 is not presented.

The contract assets as of January 1, 2018 have been restated by CHF 201.1 million and the contract liabilities by CHF 291.1 million. Further details are provided in note 34.

Contract liabilities decreased by CHF 34.7 million due to less advance payments from customers relating to point in time contracts of CHF 32.9 million, more advance payments from customers relating to over time contracts of CHF 86.2 million and higher netting with contract liabilities of CHF 88.0 million (compared to the restated opening balance, see note 34).

20 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	2018 Expected loss rate	2018 Gross amount	2018 Allowance	2018 Net book value	2017 Calculated loss rate	2017 Gross amount	2017 Allowance	2017 Net book value
Not past due	0.1%	408.6	–0.5	408.1	0.1%	657.1	–0.4	656.7
– thereof receivables resulting from construction contracts	–	–	–	–	–	244.2	–	244.2
Past due								
1–30 days	0.6%	86.9	–0.5	86.4	0.8%	101.8	–0.8	101.0
31–60 days	1.8%	35.3	–0.6	34.7	1.5%	41.0	–0.6	40.4
61–120 days	7.3%	30.3	–2.2	28.1	2.5%	35.3	–0.9	34.4
>120 days	40.3%	109.1	–44.0	65.1	41.3%	118.0	–48.7	69.3
Total trade accounts receivable as of December 31		**670.2**	**–47.9**	**622.3**		**953.2**	**–51.4**	**901.8**

Allowance for doubtful trade accounts receivable

millions of CHF	2018	2017
Balance as of January 1	60.4	52.3
Additions	12.8	12.0
Released as no longer required	–19.2	–7.5
Utilized	–4.6	–6.7
Currency translation differences	–1.6	1.3
Balance as of December 31	**47.9**	**51.4**

Approximately 39% (2017: 31%) of the gross amount of trade accounts receivable were past due, and an allowance of CHF 47.9 million (2017: CHF 51.4 million) was recorded. The recoverability of trade accounts receivable is regularly reviewed, and the credit quality of new customers is thoroughly assessed. Due to the large and heterogeneous customer base, the credit risk from individual customers of the group is limited. The allowance for doubtful trade accounts receivable is based on expected credit losses. Further details are provided in note 34.

The receivables from construction contracts have been adjusted to the new balance sheet position “contract assets” as of January 1, 2018, due to the new accounting standard IFRS 15 “Revenue from Contracts with Customers”. Further details are provided in note 34.

The allowance for doubtful trade accounts receivable as of January 1, 2018 has been adjusted by CHF 8.9 million due to the new accounting standard IFRS 9 “Financial Instruments”. Further details are provided in note 34.

Accounts receivable by geographical region

millions of CHF	2018	2017
Europe, Middle East, Africa	**311.2**	**492.9**
– thereof United Kingdom	59.1	123.8
– thereof Germany	42.5	66.7
– thereof France	24.2	40.3
– thereof Spain	21.5	39.7
– thereof Russia	20.6	28.5
– thereof South Africa	18.9	32.0
– thereof Switzerland	14.9	17.3
– thereof Saudi Arabia	14.0	12.8
– thereof Italy	13.4	14.0
– thereof Belgium	13.1	15.0
– thereof Finland	12.8	16.8
– thereof Netherlands	11.1	17.3
– thereof United Arab Emirates	10.2	33.6
– thereof other countries	34.9	35.1
Americas	**148.6**	**194.0**
– thereof USA	108.1	136.2
– thereof Brazil	19.3	19.0
– thereof Canada	8.9	10.9
– thereof Mexico	6.7	20.1
– thereof other countries	5.6	7.8
Asia-Pacific	**162.6**	**214.9**
– thereof China	107.4	117.0
– thereof India	23.9	44.1
– thereof Australia	9.8	13.5
– thereof Singapore	7.7	17.8
– thereof Indonesia	7.5	12.6
– thereof other countries	6.2	9.9
Total as of December 31	**622.3**	**901.8**

21 Other current receivables and prepaid expenses

millions of CHF	2018	2017
Taxes (VAT, withholding tax)	68.8	54.5
Derivative financial instruments	6.4	7.3
Other current receivables	24.3	27.0
Total other current receivables as of December 31	**99.4**	**88.8**
Prepaid contributions to employee benefit plans	12.4	13.3
Other prepaid expenses	38.4	34.2
Total prepaid expenses as of December 31	**50.8**	**47.5**
Total other current receivables and prepaid expenses as of December 31	**150.2**	**136.3**

For further details on the position “Derivative financial instruments,” refer to note 28. Other current receivables and prepaid expenses do not include any material positions that are past due or impaired.

22 Cash and cash equivalents

millions of CHF	2018	2017
Cash	1’029.7	450.9
Cash equivalents	65.5	37.9
Total cash and cash equivalents as of December 31	**1’095.2**	**488.8**

As of December 31, 2018, the group held restricted cash and cash equivalents of CHF 24.7 million (2017: CHF 23.7 million).

23 Share capital

	2018		2017	
thousands of CHF	Number of shares	Share capital	Number of shares	Share capital
Balance as of December 31 (par value CHF 0.01)	**34’262’370**	**342.6**	**34’262’370**	**342.6**

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

Share ownership

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

Shareholders holding more than 3%

	Dec 31, 2018		Dec 31, 2017	
	Number of shares	in %	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16’728’414	48.82	-	-
Renova Group	-	-	21’728’914	63.42

Retained earnings

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

Treasury shares

The total number of shares held by Sulzer Ltd as of December 31, 2018, amounted to 311’871 treasury shares (December 31, 2017: 219’277 shares).

On April 11, 2018, Sulzer purchased five million Sulzer shares from Renova. Renova thereafter reduced its shareholding to 48.82%. The purchase price for the five million shares Sulzer acquired, based on the volume-weighted average share price of the Sulzer shares as quoted on the SIX Swiss Exchange for the period from April 9, 2018, to (and including) April 13, 2018, came to CHF 109.13 per share for a transaction value of CHF 545.7 million (thereof CHF 108.9 million unpaid and recognized as “other current and accrued liabilities” in the balance sheet, see note 27). On September 18, Sulzer placed the five million treasury shares with domestic and international investors. The placement price of CHF 112 per share results in a capital gain of CHF 12.6 million (CHF 14.3 million before transaction costs) which increases Sulzer’s equity.

The remaining amount of 311’871 treasury shares are mainly held for the purpose of issuing shares under the management share-based payment programs.

Cash flow hedge reserve

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

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of controlled entities, whose functional currency differs from the reporting currency of the group. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Dividends

On April 4, 2018, the Annual General Meeting approved an ordinary dividend of CHF 3.50 (2017: ordinary dividend of CHF 3.50) per share to be paid out of reserves. The dividend was paid to shareholders on April 10, 2018. The total amount of the dividend is CHF 119.1 million (2017: CHF 119.4 million), thereof paid dividends of CHF 43.1 million (2017: CHF 119.4 million) and unpaid dividends of CHF 76.0 million (2017: CHF 0.0 million). The unpaid dividends are reflected in the balance sheet position “other current and accrued liabilities” (see note 27).

The Board of Directors decided to propose to the Annual General Meeting 2019 a dividend for the year 2018 of CHF 3.50 per share (2017: CHF 3.50).

24 Earnings per share

	2018	2017
Net income attributable to shareholders of Sulzer Ltd (millions of CHF)	**113.7**	**83.2**
Issued number of shares	34'262'370	34'262'370
Adjustment for the average treasury shares held	–2'327'911	–178'237
Average number of shares outstanding as of December 31	**31'934'459**	**34'084'133**
Adjustment for share participation plans	329'591	267'021
Average number of shares for calculating diluted earnings per share as of December 31	**32'264'050**	**34'351'154**
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF) as of December 31		
Basic earnings per share	3.56	2.44
Diluted earnings per share	3.53	2.42

25 Borrowings

			2018
millions of CHF	Non-current borrowings	Current borrowings	Total
Balance as of January 1	458.7	255.1	713.8
Additions	859.4	426.4	1'285.9
Repayments	–1.1	–658.9	–659.9
Reclassifications	–0.5	0.5	–
Currency translation differences	–0.2	–5.1	–5.3
Total borrowings as of December 31	**1'316.3**	**18.0**	**1'334.3**

			2017
millions of CHF	Non-current borrowings	Current borrowings	Total
Balance as of January 1	458.3	7.1	465.4
Acquired through business combination	6.7	2.1	8.8
Additions	0.5	534.6	535.1
Repayments	–1.7	–294.1	–295.8
Reclassifications	–4.9	4.9	-
Currency translation differences	–0.2	0.5	0.3
Total borrowings as of December 31	**458.7**	**255.1**	**713.8**

Borrowings by currency

	2018			2017		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
CHF	1’309.9	98.2	0.8%	451.3	63.2	0.5%
EUR	17.5	1.3	4.7%	19.9	2.8	2.9%
INR	4.0	0.3	5.4%	6.0	0.9	8.1%
USD	0.8	0.1	2.1%	224.9	31.5	2.0%
BRL	–	–	–	4.5	0.6	8.0%
Other	2.1	0.2	–	7.2	1.0	–
Total as of December 31	**1’334.3**	**100.0**	**–**	**713.8**	**100.0**	**–**

During 2017, the CHF 500 million syndicated credit facility was extended for another year until May 2022. The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of December 31, 2018, the facility was not used, while at the end of 2017, CHF 224.6 million of the facility was used.

Outstanding bonds

	2018		2017	
millions of CHF	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	325.3	325.0	325.4	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
0.250% 07/2018–07/2020	109.8	110.0	–	–
1.300% 07/2018–07/2023	289.3	290.0	–	–
0.625% 10/2018–10/2021	209.5	210.0	–	–
1.600% 10/2018–10/2024	249.8	250.0	–	–
Total as of December 31	**1’308.7**	**1’310.0**	**450.4**	**450.0**

On July 6, 2018, Sulzer issued two new bonds via dual tranches of total CHF 400 million. The first tranche of CHF 110 million has a term of two years, carries a coupon of 0.25% and has an effective interest rate of 0.37%. The second tranche of CHF 290 million has a term of five years, carries a coupon of 1.3% and has an effective interest rate of 1.35%.

On October 22, 2018, Sulzer issued two new bonds via dual tranches of total CHF 460 million. The first tranche of CHF 210 million has a term of three years, carries a coupon of 0.625% and has an effective interest rate of 0.71%. The second tranche of CHF 250 million has a term of six years, carries a coupon of 1.6% and has an effective interest rate of 1.62%.

All the outstanding bonds are traded at the SIX Swiss Exchange.

26 Provisions

millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Environmental	Other	Total
						2018
Balance as of January 1	55.9	92.3	18.6	15.4	53.9	236.1
Acquired through business combination	–	1.4	0.3	–	0.1	1.8
Additions	8.9	21.0	14.9	0.1	31.0	75.9
Released as no longer required	–4.0	–10.6	–1.8	–	–4.3	–20.7
Utilized	–10.3	–22.2	–21.5	–0.2	–18.1	–72.4
Reclassifications	–	0.8	0.5	–	–1.3	–
Currency translation differences	–1.1	–3.8	–0.8	–0.2	–0.8	–6.8
Total provisions as of December 31	**49.4**	**78.9**	**10.1**	**15.1**	**60.5**	**213.9**
– thereof non-current	37.1	4.8	4.2	15.1	13.3	74.4
– thereof current	12.3	74.1	5.9	–	47.2	139.5

millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Environmental	Other	Total
						2017
Balance as of January 1	47.4	76.6	57.6	15.2	53.1	249.9
Acquired through business combination	0.5	7.0	0.1	–	4.4	12.0
Additions	10.7	36.4	22.0	0.2	19.6	88.9
Released as no longer required	–2.4	–4.8	–0.3	–	–4.0	–11.5
Utilized	–4.1	–27.6	–59.0	–	–14.5	–105.2
Reclassifications	3.7	–	–0.1	–0.2	–3.4	–
Currency translation differences	0.1	4.7	–1.7	0.2	–1.3	2.0
Total provisions as of December 31	**55.9**	**92.3**	**18.6**	**15.4**	**53.9**	**236.1**
– thereof non-current	36.8	6.1	3.4	15.4	15.9	77.6
– thereof current	19.1	86.2	15.2	–	38.0	158.5

The category “Other employee benefits” includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees. The additions and utilizations in “Other employee benefits” provision are mainly related to medical insurances of employees of the US entities.

The category “Warranties/liabilities” includes provisions for warranties, customer claims, penalties, litigation and legal cases relating to goods delivered or services rendered.

As part of the Sulzer Full Potential (SFP) program, Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. In 2018, restructuring expenses were mainly associated with measures taken in Brazil, Germany, the US, France, the Netherlands and Belgium. The group recognized restructuring provisions of CHF 14.9 million (2017: CHF 22.0 million). The remaining provision as of December 31, 2018, is CHF 10.1 million, of which CHF 5.9 million is expected to be utilized within one year.

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

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to indemnities, in particular related from divestitures. In addition, provisions for ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, Sulzer is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although Sulzer expects a large part of the category “Other” to be realized in 2019, by their nature the amounts and timing of any cash outflows are difficult to predict.

27 Other current and accrued liabilities

millions of CHF	2018	2017
Liability related to the purchase of treasury shares	108.9	–
Outstanding dividend payments	76.0	–
Taxes (VAT, withholding tax)	25.3	29.4
Derivative financial instruments	8.4	6.8
Notes payable	0.4	–
Other current liabilities	26.9	29.0
Total other current liabilities as of December 31	**245.9**	**65.2**
Contract-related costs	130.6	112.6
Salaries, wages and bonuses	101.1	96.4
Vacation and overtime claims	31.8	32.1
Other accrued liabilities	133.3	126.2
Total accrued liabilities as of December 31	**396.7**	**367.3**
Total other current and accrued liabilities as of December 31	**642.6**	**432.5**

The liability related to the purchase of treasury shares of CHF 108.9 million (2017: CHF 0 million) and the outstanding dividend payments of CHF 76.0 million (2017: CHF 0 million) are explained in note 23.

28 Derivative financial instruments

	2018				2017			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
millions of CHF	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange contracts	633.5	6.4	442.5	8.7	546.3	7.5	540.1	6.8
Total as of December 31	**633.5**	**6.4**	**442.5**	**8.7**	**546.3**	**7.5**	**540.1**	**6.8**
– thereof due in <1 year	633.3	6.4	437.3	8.4	540.5	7.3	540.0	6.8
– thereof due in 1–2 years	0.1	0.0	5.2	0.2	5.8	0.2	0.1	0.0

The notional value and the fair value of derivative assets and liabilities include current and also non-current derivative financial instruments. The cash flow hedges of the expected future sales were assessed as highly effective. As at December 31, 2018, a net cumulative unrealized loss of CHF 11.3 million (2017: loss of CHF 8.6 million) with a deferred tax asset of CHF 2.7 million (2017: CHF 2.1 million) relating to these cash flow hedges were included in the Cash Flow Hedge Reserve. In 2018, a loss of CHF 2.4 million (2017: a gain of CHF 3.2 million) cash flow hedge reserve was recognized in profit or loss. There was no ineffectiveness that arose from cash flow hedges in 2018 (2017: CHF 0.0 million). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The hedged, highly probable forecast transactions denominated in foreign currency are mostly expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve (cash flow hedges) in equity on forward foreign exchange contracts as of December 31, 2018, are recognized either in sales, cost of goods sold, or in other operating income/expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to ten years).

The group enters into derivative financial instruments under enforceable master netting arrangements. These agreements do not meet the criteria for offsetting derivative assets and derivative liabilities in the consolidated balance sheet. As per December 31, 2018, the amount subject to such netting arrangements was CHF 2.9 million (2017: CHF 3.5 million). Considering the effect of these agreements the amount of derivative assets would reduce from CHF 6.4 million to CHF 3.5 million (2017: from CHF 7.5 million to CHF 4.0 million), and the amount of derivative liabilities would reduce from CHF 8.7 million to CHF 5.8 million (2017: from CHF 6.8 million to CHF 3.3 million).

29 Other financial commitments

			2018			2017
millions of CHF	Rented premises	Other	Total	Rented premises	Other	Total
Maturity <1 year	23.8	14.9	38.7	17.9	7.8	25.7
Maturity 1–5 years	61.1	11.0	72.1	46.1	11.8	57.9
Maturity >5 years	15.4	1.1	16.5	14.5	1.4	15.9
Operating lease as of December 31	**100.3**	**27.0**	**127.3**	**78.5**	**21.0**	**99.5**
Contractual commitments for property, plant and equipment as of December 31	**3.8**	**2.7**	**6.5**	**-**	**2.4**	**2.4**

30 Contingent liabilities

millions of CHF	**2018**	**2017**
Guarantees in favor of third parties	10.0	10.0
Total contingent liabilities as of December 31	**10.0**	**10.0**

As of December 31, 2018, guarantees provided to third parties regarding certain environmental matters related to disposed business amounted to CHF 10 million. The guarantees will expire in 2022.

31 Share participation plans

Share-based payments charged to personnel expenses

millions of CHF	**2018**	**2017**
Restricted share unit plan	1.0	2.2
Performance share plan	14.1	8.6
Total charged to personnel expenses	**15.1**	**10.8**

Restricted share unit plan settled in Sulzer shares

This long-term incentive plan covers the Board of Directors and until 2015 the members of the Sulzer Management Group. Restricted share units (RSU) are granted annually depending on the organizational position of the employee. Vesting of the RSU is subject to continuous employment over the vesting period. Awards to members of the Board of Directors automatically vest with the departure from the Board. The plan features graded vesting over a three-year period. One RSU award is settled with one Sulzer share at the end of the vesting period. The fair value of the RSU granted is measured at the grant date closing share price of Sulzer Ltd, and discounted over the vesting period using a discount rate that is based on the yield of Swiss government bonds for the duration of the vesting period. Participants are not entitled to dividends declared during the vesting period. Consequently, the grant date fair value of the RSU is reduced by the present value of the dividends expected to be paid during the vesting period.

Restricted share units

Grant year	**2018**	**2017**	**2016**	**2015**	**2014**	**Total**
Outstanding as of December 1, 2017	–	–	21’603	63’712	19’621	104’936
Granted	–	11’001	–	–	–	11’001
Exercised	–	–	–4’859	–30’388	–19’527	–54’774
Forfeited	–	–	–	–884	–94	–978
Outstanding as of December 31, 2017	**–**	**11’001**	**16’744**	**32’440**	**–**	**60’185**
Outstanding as of January 1, 2018	–	11’001	16’744	32’440	–	60’185
Granted	9’288	–	–	–	–	9’288
Exercised	–144	–6’049	–9’950	–32’440	–	–48’583
Forfeited	–861	–	–	–	–	–861
Outstanding as of December 31, 2018	**8’283**	**4’952**	**6’794**	**–**	**–**	**20’029**
Average fair value at grant date in CHF	118.20	98.00	72.61	102.18	122.00	

Performance share plan settled in Sulzer shares

This long-term incentive plan covers the members of the Executive Committee and since 2016 also the members of the Sulzer Management Group. Performance share units (PSU) are granted annually depending on the organizational position of the employee.

Vesting of the PSU is subject to continuous employment and to the achievement of performance conditions over the performance period. Participants are not entitled to dividends declared during the vesting period. Vesting of the performance share plan (PSP) 2018, 2017 and 2016 is based on three performance conditions: operational EBITA growth over the performance period (weighted 25%), average operational ROCEA (weighted 25%), and on Sulzer’s total return to shareholders (TSR), compared to a selected group of ten peer companies and the SMIM Index (weighted 50%). Vesting of the PSP 2015 is based on two equally weighted performance conditions: cumulated operational EBITA and on Sulzer’s total return to shareholders (TSR), compared to a selected group of 30 peer companies.

TSR is measured with a starting value of the volume-weighted average share price (VWAP) over the first three months of the first year, and an ending value of the VWAP over the last three months of the vesting period. The rank of Sulzer’s TSR at the end of the performance period determines the effective number of total shares. The exercise price of the PSU is zero.

The following inputs were used to determine the fair value of the PSU at grant date using a Monte Carlo simulation:

Grant year	2018	2017	2016	2015	2014
Fair value at grant date	143.62	116.02	118.05	193.97	206.63
Share price at grant date	120.60	104.80	98.50	107.00	121.50
Expected volatility	29.12%	25.10%	25.46%	28.07%	32.25%
Risk-free interest rate	–0.42%	–0.56%	–0.73%	–0.72%	0.09%

The expected volatility of the Sulzer share, the peer group companies, and the SMIM Index is determined by the historical volatility. The zero yield curves of those countries in which the companies and indices are listed were used as the relevant risk-free rates. Historical data was used to arrive at an estimate for the correlation between Sulzer, the peer companies, and the SMIM Index. For the TSR calculation, it is assumed that all the dividends are reinvested immediately. This has the same economic implication as waiving the payment of dividends. Accordingly, the expected dividend yield is zero.

Performance share units – terms of awards

Grant year	2018	2017	2016	2015	2014
Number of awards granted	74'467	76'818	116'472	21'665	15'965
Grant date	July 1, 2018	April 1,17	August 1,16	April 1,15	April 1,14
Performance period for cumulative EBIT	01/18–12/20	01/17–12/19	01/16–12/18	01/15–12/17	01/14–12/16
Performance period for TSR	01/18–12/20	01/17–12/19	01/16–12/18	04/15–03/18	04/14–03/17
Fair value at grant date in CHF	143.62	116.02	118.05	193.97	206.63

Performance share units

Grant year	2018	2017	2016	2015	2014	Total
Outstanding as of January 1, 2017	–	–	108'866	8'996	5'245	123'107
Granted	–	76'818	–	–	1'523	78'341
Exercised	–	–191	–4'169	–2'002	–6'768	–13'130
Forfeited	–	–497	–6'902	–400	–	–7'799
Outstanding as of December 31, 2017	**–**	**76'130**	**97'795**	**6'594**	**–**	**180'519**
Outstanding as of January 1, 2018	–	76'130	97'795	6'594	–	180'519
Granted	74'467	–	–	–	–	74'467
Exercised	–	–2'395	–4'762	–6'594	–	–13'751
Forfeited	–	–4'976	–2'043	–	–	–7'019
Outstanding as of December 31, 2018	**74'467**	**68'759**	**90'990**	**–**	**–**	**234'216**

The Board of Directors decided in May 2018 to set TSR floors reflecting the exceptional market conditions and share price collapse following the US sanctions against Russia and the collateral damages to Sulzer. The introduction of the floor led to a step-up in the market valuation of the respective PSU, which is the difference between the fair value of the modified PSU granted and the original PSU, both measured as at the date of the modification. The step-up in the fair value of CHF 40.62 per PSU for the PSP 2016 and CHF 18.91 per PSU for the PSP 2017 is expensed over the remaining vesting period of the affected plans. The fair value was measured using the same pricing model as for the grant date fair value.

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

Key management compensation

				2018				2017
thousands of CHF	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total	Short-term benefits	Equity-based compensation	Pension and social security contributions	Total
Board of Directors	1’226	1’155	257	2’638	1’272	802	268	2’342
Executive Committee	10’175	4’462	2’066	16’703	8’387	5’746	1’784	15’917

Equity-based compensation for 2018 is based on the full fair value of the PSU granted under the PSP 2018. Equity-based compensation for 2017 is valued according to the requirements of IFRS 2. There are no outstanding loans with members of the Board of Directors or the Executive Committee as per balance sheet date. No shares have been granted to members of the Board of Directors, the Executive Committee, or related persons, with the exception of shares granted in connection with equity-settled plans and service awards.

Related parties

As of December 31, 2018, sales with related parties controlled by the major shareholder amounted to CHF 3.1 million (2017: CHF 22.6 million) with open receivables of CHF 0.4 million (2017: CHF 17.3 million). Open payables of CHF 185.1 million (2017: CHF 0.4 million) were recognized (thereof CHF 108.9 million related to the purchase of treasury shares and CHF 76.0 million outstanding dividend payments, see note 23 and note 27). The income from released provisions for loss/unprofitable contracts/warranties/guarantees/liquidated damages recognized in the income statement amounted to CHF 0.6 million (2017: expense CHF 1.3 million).

Sales with associates in 2018 amounted to CHF 11.4 million (2017: CHF 6.1 million) with open receivables of CHF 0.1 million (2017: CHF 2.0 million). Open payables with associates amounted to CHF 0.0 million (2017: CHF 1.3 million). The income from released provisions for loss/unprofitable contracts/warranties/guarantees/liquidated damages recognized in the income statement amounted to CHF 1.6 million (2017: expense CHF 2.5 million). Income for services with associates amounted to CHF 0.1 million (2017: CHF 0.1 million). Expenses for services from associates amounted to CHF 0.5 million (2017: CHF 0.0 million).

During 2018, the group sold unquoted equity instruments previously measured at cost to Sulzer Vorsorgeeinrichtung, Sulzer’s pension fund in Switzerland. The transaction price was CHF 31.7 million and the resulting profit CHF 28.5 million. The transaction was priced on an arm’s length basis and was settled in cash prior to December 31, 2018.

During 2017, Sulzer acquired 51% of the business of Rotec GT, the gas turbine maintenance division of the Rotec Group. Sulzer obtained control of the acquired business. Rotec GT is considered to be a related party to the group (controlled by the major shareholder). During 2018, Sulzer acquired the outstanding 49% of Sulzer Turbo Services Rus LLC (formerly the gas turbine maintenance division of the Rotec Group) for CHF 14.3 million, after the seller exercised its put option. The transaction was priced on an arm’s length basis and was settled in cash prior to December 31, 2018. For more information please refer to note 4.

33 Auditor remuneration

Fees for the audit services by KPMG as the appointed group auditor amounted to CHF 4.0 million (2017: CHF 2.9 million). Additional services provided by the group auditor amounted to a total of CHF 1.7 million (2017: CHF 1.0 million). This amount includes CHF 1.1 million (2017: CHF 0.7 million) for tax and legal advisory services and CHF 0.6 million for other consulting services (2017: CHF 0.3 million).

34 Key accounting policies and valuation methods

34.1 Basis of preparation

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

- financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income, and
- net position from defined benefit plans, where plan assets are measured at fair value and the plan liabilities are measured at the present value of the defined benefit obligation (see note 34.19 a).

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 "Critical accounting estimates and judgments."

Rounding

Due to rounding, numbers presented throughout the consolidated financial statements may not add up precisely to the totals provided. All ratios, percentages and variances are calculated using the underlying amount rather than the presented rounded amount.

Tables

Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Dashes (–) generally indicate that the respective figure is zero on an actual or rounded basis.

34.2 Change in accounting policies

a) Standards, amendments and interpretations which are effective for 2018

The group has initially adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from January 1, 2018. A number of other new standards are effective from January 1, 2018, but they do not have a material effect on the group's financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- An increase in the allowance for doubtful trade accounts receivable.
- A different timing in the recognition of sales, costs of goods sold and gross profit for some construction contracts.

The following table summarizes the impact of the two new accounting standards on the consolidated balance sheet as of January 1, 2018.

millions of CHF	December 31, 2017, as originally presented	Adjustment IFRS 9	Adjustment IFRS 15	January 1, 2018, adjusted
Non-current assets				
Goodwill	865.7			865.7
Other intangible assets	420.8			420.8
Property, plant and equipment	531.6			531.6
Associates	10.3			10.3
Other financial assets	13.6			13.6
Non-current receivables	8.8			8.8
Deferred income tax assets	139.7	2.1	6.4	148.2
Total non-current assets	**1’990.5**	**2.1**	**6.4**	**1’999.0**
Current assets				
Inventories	488.0		87.4	575.4
Current income tax receivables	27.2			27.2
Advance payments to suppliers	84.7		4.6	89.3
Contract assets	–		201.1	201.1
Trade accounts receivable	901.8	–8.9	–244.1	648.8
Other current receivables and prepaid expenses	136.3			136.3
Cash and cash equivalents	488.8			488.8
Total current assets	**2’126.8**	**–8.9**	**49.0**	**2’166.9**
Total assets	**4’117.3**	**–6.8**	**55.4**	**4’165.9**
Equity				
Share capital	0.3			0.3
Reserves	1’679.8	–6.6	–23.1	1’650.1
Equity attributable to shareholders of Sulzer Ltd	**1’680.1**	**–6.6**	**–23.1**	**1’650.4**
Non-controlling interests	22.3		–0.1	22.2
Total equity	**1’702.4**	**–6.6**	**–23.1**	**1’672.6**
Non-current liabilities				
Non-current borrowings	458.7			458.7
Deferred income tax liabilities	104.8	–0.2		104.6
Non-current income tax liabilities	2.3			2.3
Defined benefit obligations	239.1			239.1
Non-current provisions	77.6			77.6
Other non-current liabilities	17.6			17.6
Total non-current liabilities	**900.1**	**–0.2**	**–**	**899.9**
Current liabilities				
Current borrowings	255.1			255.1
Current income tax liabilities	24.8			24.8
Current provisions	158.5			158.5
Contract liabilities	–		291.1	291.1
Trade accounts payable	433.8			433.8
Advance payments from customers	210.1		–210.1	–
Other current and accrued liabilities	432.5		–2.4	430.1
Total current liabilities	**1’514.8**	**–**	**78.6**	**1’593.4**
Total liabilities	**2’414.9**	**–0.2**	**78.6**	**2’493.3**
Total equity and liabilities	**4’117.3**	**–6.8**	**55.4**	**4’165.9**

IFRS 9 “Financial Instruments”

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

The group has adopted IFRS 9 using the simplified approach to providing for expected credit losses by using the lifetime expected loss provision for all trade receivables.

The table above (combined table IFRS 9 and IFRS 15) summarizes the impact of the new accounting standards on the balance sheet as of January 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminated the IAS 39 categories of held to maturity, loans and receivables, and available for sale.

The group has reviewed its financial assets and financial liabilities as of December 31, 2017. The financial assets classified as loans and receivables as well as the financial liabilities valued at amortized costs have been classified as financial instruments at amortized costs. The fair values of forward foreign exchange contracts not used for hedge accounting have been classified as financial instruments at fair value through profit or loss.

The accounting for financial liabilities is unchanged, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

The new hedge accounting rules aligned the accounting for hedging instruments more closely with the group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduced a more principles-based approach. However, the group has not identified new hedge relationships. The group’s hedge relationships as of December 31, 2017 qualify as continuing hedges upon the adoption of IFRS 9. As a consequence, there is no significant impact on the accounting for these hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as was the case under IAS 39. It applies to financial assets classified at amortized cost such as trade accounts receivable and contract assets. Based on this impairment methodology, the allowance for doubtful trade accounts receivable increased (see table above). There is no impact for contract assets or other financial assets.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining if, when and how much sales are recognized. It replaced IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programs”.

The group has applied IFRS 15 “Revenue from contracts with customers” as of January 1, 2018, using the cumulative effect method (cumulative catch-up effect in retained earnings). Accordingly, the information presented for 2017 has not been adjusted – i.e. it is presented as previously reported under IAS 18, IAS 11 and related interpretations.

The table above (combined table IFRS 9 and IFRS 15) summarizes the impact of the new accounting standards on the balance sheet as of January 1, 2018.

The details of the new accounting policies and the nature of the changes to previous accounting policies are set out below.

Under IFRS 15, sales are recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgment. There are two ways to recognize sales, costs of goods sold and the corresponding profit margin:

- **Point in time method:** Sales recognition when the performance obligation is satisfied at a certain point in time.
- **Over time method** (previous accounting policies: Percentage of completion method, POC): Sales, costs and profit margin recognition in line with the progress of the project.

The core principle of IFRS 15 is that an entity should recognize sales as a transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

New balance sheet items

Following the adoption of IFRS 15, the group discloses two new balance sheet items, which are defined as follows:

- **Contract assets:** Represent the group's right to consideration in exchange for goods or services before the final customer invoice has been issued. When the group performs services or transfers goods in advance of receiving consideration, the group recognizes a contract asset. If the final invoice has been issued and the right to consideration depends only on the passage of time, contract assets are reclassified to "trade accounts receivable". According to the previous accounting policies, the group disclosed contract assets (receivables resulting from construction contracts) as "trade accounts receivable".
- **Contract liabilities:** Represent the group's obligation to transfer goods or services to a customer for which the group has received consideration (or the amount is due) from the customer. A contract liability applies if the group receives consideration in advance of performance. According to the previous accounting policies, the group disclosed such liabilities as "advance payments from customers".

Because of this change in presentation in the balance sheet, the positions "trade accounts receivable" and "advance payments from customers" decreased after applying IFRS 15.

Change from over time method to point in time method

The significant part of the adjustments (besides the new balance sheet positions as described above) results from limitations in applying the over time method. This is mainly due to construction contracts without right to payment clauses in cases of termination for convenience. For some construction contracts for which the group recognized sales and profit over time according to the previous accounting standards, these limitations led to point in time sales, costs and profit recognition under IFRS 15. With these changes, sales, costs and profit recognition generally occurs later for such contracts. Sales, costs of goods sold and the corresponding profit margin of ongoing construction contracts without right to payment clauses have been reversed as of January 1, 2018 and will be recognized at point in time (or have already been recognized during the period).

The change from the over time method to the point in time method leads to the following main impacts:

- Lower receivables from construction contracts (disclosed as “trade accounts receivable” according to the previous accounting policies and as “contract assets” under IFRS 15).
- Higher inventories.
- Lower netting between receivables from construction contracts and advance payments from customers leads to higher receivables from construction contracts and higher advance payments from customers.

Explanation of balance sheet impact

As a result of the aforementioned impacts (new balance sheet items and change from over time method to point in time method), the significant adjustments for IFRS 15 are as follows (see also tables below):

- **Inventories:** Lower receivables from construction contracts leads to higher inventories.
- **Contract assets:** Different disclosure of receivables from construction contracts in the balance sheet leads to this new balance sheet item under IFRS 15.
- **Trade accounts receivable:** Separate disclosure of receivables from construction contracts in the balance sheet leads to lower accounts receivable under IFRS 15. The change from the over time to the point in time method leads to lower receivables from construction contracts under IFRS 15. Lower netting between receivables from construction contracts and advance payments from customers leads to higher receivables from construction contracts.
- **Contract liabilities:** Different disclosure of advance payments from customers in the balance sheet leads to this new balance sheet item under IFRS 15.
- **Advance payments from customers:** Lower netting between receivables from construction contracts and advance payments from customers leads to higher advance payments from customers. Different disclosure of advance payments from customers as contract liabilities leads to zero advance payments from customers under IFRS 15.

Impacts of adopting IFRS 15

The following tables summarize the impacts of adopting IFRS 15 on the group’s consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of cash flows as of December 31, 2018.

Consolidated income statement

January 1 – December 31

millions of CHF	Notes	2018 (as reported)	Adjustments	2018 (amounts without adoption of IFRS 15)
Sales	3	3’364.9	39.7	3’404.5
Cost of goods sold		–2’386.6	–39.9	–2’426.5
Gross profit		**978.3**	**–0.3**	**978.0**
Selling and distribution expenses		–354.4	–	–354.4
General and administrative expenses		–384.4	–	–384.4
Research and development expenses	10	–86.4	–	–86.4
Other operating income and expenses, net	11	30.8	0.0	30.8
Operating income		**183.8**	**–0.3**	**183.6**
Interest and securities income	12	2.9	–	2.9
Interest expenses	12	–20.3	–	–20.3
Other financial income and expenses, net	12	–1.5	–	–1.5
Share of profit and loss of associates	16	0.7	–	0.7
Income before income tax expenses		**165.6**	**–0.3**	**165.4**
Income tax expenses	13	–49.2	–0.1	–49.3
Net income		**116.5**	**–0.4**	**116.1**
attributable to shareholders of Sulzer Ltd		113.7	–0.7	113.0
attributable to non-controlling interests		2.8	0.3	3.1
Earnings per share (in CHF)				
Basic earnings per share	24	3.56	–0.02	3.54
Diluted earnings per share	24	3.53	–0.02	3.50

Consolidated statement of comprehensive income

January 1 – December 31

millions of CHF	Notes	2018 (as reported)	Adjustments	2018 (amounts without adoption of IFRS 15)
Net income		**116.5**	**–0.4**	**116.1**
Items that may be reclassified subsequently to the income statement				
Cash flow hedges, net of tax	28	–2.2	–	–2.2
Currency translation differences		–90.6	–	–90.6
Total of items that may be reclassified subsequently to the income statement		**–92.8**	**–**	**–92.8**
Items that will not be reclassified to the income statement				
Remeasurements of defined benefit obligations, net of tax	9	55.9	–	55.9
Total of items that will not be reclassified to the income statement		**55.9**	**–**	**55.9**
Total other comprehensive income		**–36.9**	**–**	**–36.9**
Total comprehensive income for the period		**79.6**	**–0.4**	**79.2**
attributable to shareholders of Sulzer Ltd		78.2	–0.4	77.8
attributable to non-controlling interests		1.4	–	1.4

Consolidated balance sheet

December 31

millions of CHF	Notes	2018 (as reported)	Adjustments	2018 (amounts without adoption of IFRS 15)
Non-current assets				
Goodwill	14	923.4	–	923.4
Other intangible assets	14	439.4	–	439.4
Property, plant and equipment	15	527.0	–	527.0
Associates	16	13.4	–	13.4
Other financial assets	17	9.4	–	9.4
Non-current receivables		6.2	–	6.2
Deferred income tax assets	13	138.9	–5.4	133.6
Total non-current assets		**2'057.7**	**–5.4**	**2'052.4**
Current assets				
Inventories	18	658.9	–114.6	544.3
Current income tax receivables		29.0	–	29.0
Advance payments to suppliers		79.9	–	79.9
Contract assets	19	205.1	–205.1	–
Trade accounts receivable	20	622.3	311.5	933.8
Other current receivables and prepaid expenses	21	150.2	–	150.2
Cash and cash equivalents	22	1'095.2	–	1'095.2
Total current assets		**2'840.6**	**–8.1**	**2'832.4**
Total assets		**4'898.3**	**–13.5**	**4'884.8**
Equity				
Share capital	23	0.3	–	0.3
Reserves		1'629.5	21.1	1'650.6
Equity attributable to shareholders of Sulzer Ltd		**1'629.9**	**21.1**	**1'651.0**
Non-controlling interests		11.2	0.3	11.5
Total equity		**1'641.0**	**21.4**	**1'662.4**
Non-current liabilities				
Non-current borrowings	25	1'316.3	–	1'316.3
Deferred income tax liabilities	13	89.5	0.9	90.4
Non-current income tax liabilities	13	2.3	–	2.3
Defined benefit obligations	9	160.9	–	160.9
Non-current provisions	26	74.4	–	74.4
Other non-current liabilities		3.6	–	3.6
Total non-current liabilities		**1'646.8**	**0.9**	**1'647.7**
Current liabilities				
Current borrowings	25	18.0	–	18.0
Current income tax liabilities	13	32.0	–	32.0
Current provisions	26	139.6	–	139.6
Contract liabilities		256.4	–256.4	–
Trade accounts payable		521.8	–	521.8
Advance payments from customers		–	219.7	219.7
Other current and accrued liabilities	27	642.6	0.9	643.6
Total current liabilities		**1'610.4**	**–35.8**	**1'574.6**
Total liabilities		**3'257.3**	**–34.9**	**3'222.3**
Total equity and liabilities		**4'898.3**	**–13.5**	**4'884.8**

Consolidated statement of cash flows
January 1 – December 31

millions of CHF	Notes	2018 (as reported)	Adjustments	2018 (amounts without adoption of IFRS 15)
Cash and cash equivalents as of January 1		**488.8**	**–**	**488.8**
Net income		116.5	–0.4	116.1
Interest and securities income	12	–2.9	–	–2.9
Interest expenses	12	20.3	–	20.3
Income tax expenses	13	49.2	0.1	49.3
Depreciation, amortization and impairments	14,15	145.1	–	145.1
Income from disposals of property, plant and equipment	11,15	–5.8	–	–5.8
Changes in inventories		–98.4	32.4	–66.0
Changes in advance payments to suppliers		6.1	–4.4	1.7
Changes in contract assets		–11.0	11.0	–
Changes in trade accounts receivable		19.9	–79.7	–59.8
Changes in advance payments from customers		–	18.6	18.6
Changes in contract liabilities		–23.7	23.7	–
Changes in trade accounts payable		106.2	–	106.2
Change in provision for employee benefit plans		–2.8	–	–2.8
Changes in provisions		–21.3	–	–21.3
Changes in other net current assets		20.8	–1.4	19.3
Other non-cash items		17.6	–	17.6
Interest received		2.9	–	2.9
Interest paid		–12.2	–	–12.2
Income tax paid		–65.6	–	–65.6
Total cash flow from operating activities		**260.8**	**–**	**260.8**
Purchase of intangible assets	14	–6.9	–	–6.9
Purchase of property, plant and equipment	15	–89.3	–	–89.3
Sale of property, plant and equipment	11, 15	16.6	–	16.6
Acquisitions of subsidiaries, net of cash acquired	4	–217.5	–	–217.5
Acquisitions of associates	16	–1.2	–	–1.2
Dividends from associates	16	0.1	–	0.1
Divestitures of subsidiaries		0.7	–	0.7
Purchase of financial assets	17	–0.6	–	–0.6
Sale of financial assets	17	0.6	–	0.6
Total cash flow from investing activities		**–297.4**	**–**	**–297.4**
Dividend	23	–43.1	–	–43.1
Dividend paid to non-controlling interests		–1.9	–	–1.9
Purchase of treasury shares		–454.9	–	–454.9
Sale of treasury shares	23	557.4	–	557.4
Changes in non-controlling interests		–14.3	–	–14.3
Additions in non-current borrowings	25	859.4	–	859.4
Repayment of non-current borrowings	25	–1.1	–	–1.1
Additions in current borrowings	25	426.4	–	426.4
Repayment of current borrowings	25	–658.9	–	–658.9
Total cash flow from financing activities		**669.1**	**–**	**669.1**
Exchange losses on cash and cash equivalents		–26.1	–	–26.1
Net change in cash and cash equivalents		**606.4**	**–**	**606.4**
Cash and cash equivalents as of December 31	**22**	**1’095.2**	**–**	**1’095.2**

b) Standards, amendments and interpretations issued but not yet effective which the group has decided not to early adopt in 2018

The group has not early adopted any new or amended standards in preparing these consolidated financial statements.

IFRS 16 "Leases"

IFRS 16, published in January 2016, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The group is required to adopt IFRS 16 from January 1, 2019. The group has assessed the estimated impact that initial application will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard may change because the group has not finalized the validation of the results of the assessments.

The group will recognize new assets and liabilities for its operating leases of buildings and equipment. The nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The undiscounted operating lease commitments as of December 31, 2018 amounted to CHF 127.3 million (see note 29). This includes short-term leases as well as low-value asset leases that will be recognized on a straight-line basis as expense in the income statement. For the remaining lease commitments, the group expects to recognize lease liabilities and leased assets in the range of CHF 105 to CHF 120 million. This does not include leased assets and lease liabilities on finance lease agreements of CHF 8.6 million (see note 15) and CHF 7.7 million, respectively.

No significant impact is expected for the group's finance leases.

The group has no significant sub-leases and is therefore not acting as a lessor.

The group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance, with no restatement of comparative information.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23, published in June 2017, clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments. IFRIC 23 is effective for periods beginning on or after January 1, 2019.

The group has reviewed its uncertain tax positions and has adapted its procedures accordingly. The estimated impact of the application of the clarification of the standard is assessed to be not significant on the amount of reported tax provisions for uncertain tax positions.

Other IFRS standards and interpretations

There are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on the group.

34.3 Consolidation

a) Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group (see 34.3 b). The consideration transferred in the acquisition is measured at the fair value of the assets given, the liabilities incurred to the former owner of the acquiree, and the equity interest issued by the group. Any goodwill arising is tested annually for impairment (see 34.6 a). Any gain on a bargain purchase is recognized in the income statement immediately. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

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

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

b) Subsidiaries

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

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

c) Non-controlling interests

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

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

d) Associates and joint ventures

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

e) Transactions eliminated on consolidation

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

34.4 Segment reporting

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

34.5 Foreign currency translation

a) Functional and presentation currency

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

The following table shows the major currency exchange rates for the reporting periods 2018 and 2017:

	2018		2017	
CHF	Average rate	Year-end rate	Average rate	Year-end rate
1 EUR	1.16	1.13	1.11	1.17
1 GBP	1.31	1.25	1.27	1.32
1 USD	0.98	0.99	0.98	0.98
100 CNY	14.80	14.32	14.58	14.99
100 INR	1.43	1.41	1.51	1.53

b) Transactions and balances

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

c) Subsidiaries

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

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

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

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

34.6 Intangible assets

The intangible assets with finite useful life are amortized in line with the expected useful life, usually on a straight-line basis. The period of useful life is to be assessed according to business rather than legal criteria. This assessment is made at least once a year. An impairment might be required in the event of sudden or unforeseen value changes.

a) Goodwill

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

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

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

b) Trademarks and licenses

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

c) Research and development

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

d) Computer software

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

e) Customer relationships

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

34.7 Property, plant and equipment

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

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

The useful lives are as follows:
Buildings 20 – 50 years
Machinery 5 –15 years
Technical equipment 5 –10 years
Other non-current assets max. 5 years

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

34.8 Impairment of property, plant and equipment and intangible assets

Assets with a finite useful life are only tested for impairment if relevant events or changes in circumstances indicate that the book value is no longer recoverable. An impairment loss is recorded equal to the excess of the carrying value over the recoverable amount. The recoverable amount is the higher of the fair value of the asset less disposal costs and its value in use. The value in use is based on the estimated cash flow over a five-year period and the extrapolated projections for subsequent years. The results are discounted using an appropriate pre-tax, long-term interest rate. For the purposes of the impairment test, assets are grouped together at the lowest level for which separate cash flows can be identified (cash-generating units).

34.9 Financial assets

Financial assets are classified into the following three categories:

- financial assets at fair value through profit or loss (FVTPL),
- financial assets at fair value through other comprehensive income (FVOCI),
- financial assets measured at amortized cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income

(FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

Debt instruments

Financial assets at fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other operating income and expenses or other financial income and expenses, depending on the nature of the investment, in the period in which it arises.

Financial assets at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established. A gain or loss on an equity investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other operating income and expenses or other financial income and expenses, depending on the nature of the investment, in the period in which it arises.

There is an exemption from measurement at fair value of such assets if its fair value cannot be measured reliably. The exemption applies to equity instruments that do not have a quoted price in an active market. The group therefore measures some of its fair value assets at cost.

34.10 Derivative financial instruments and hedging activities

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

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

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

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

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

34.11 Offsetting financial assets and liabilities

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

34.12 Inventories

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

34.13 Trade receivables

Trade and other accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less allowances for doubtful trade accounts receivable.

The allowance for doubtful trade accounts receivable is based on expected credit losses. These are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information such as development of gross domestic product (GDP) and oil price development.

34.14 Cash and cash equivalents

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

34.15 Share capital

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

34.16 Trade payables

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

34.17 Borrowings

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

34.18 Current and deferred income taxes

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

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

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

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

34.19 Employee benefits

a) Defined benefit plans

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

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

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

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

b) Defined contribution plans

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

c) Other employee benefits

Some subsidiaries provide other employee benefits like "Early retirement benefits" or "Jubilee gifts" to their employees. Early retirement benefits are defined as termination benefits for employees accepting voluntary redundancy in exchange for those benefits. Jubilee gifts are other long-term benefits. For example, in Switzerland, Sulzer makes provisions for jubilee benefits based on a Swiss local directive. The provisions are reported in the category "Other employee benefits" (note 26).

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

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

34.20 Share-based compensation

Sulzer operates two equity-settled share-based payment plans. A performance share plan (PSP) covers the members of the Executive Committee and starting 2016 also the members of the Sulzer Management Group. A restricted share plan (RSP) covers the members of the Board of Directors and until 2015 also covered the members of the Sulzer Management Group.

a) Performance share plan (PSP)

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

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

b) Restricted share plan (RSP)

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

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

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

34.21 Provisions

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

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

34.22 Sales

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the group's activities. This includes standard products (off the rack) as well as configured and engineered or tailor-made products. Sales are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The core principle is that sales are recognized at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring goods or services to a customer.

Sales are recognized when (or as) the group satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

A customer obtains control of a good or service if it has the ability to direct the use of, and obtain substantially all of the remaining benefits from, that good or service (e.g. use, consume, sale, hold). A customer could have the future right to direct the use of the asset and obtain substantially all of the benefits from it (for example, upon making a prepayment for a specified product).

There are two methods to recognize sales:

- **Over time method:** Sales, costs and profit margin recognition in line with the progress of the project.
- **Point in time method:** Sales recognition when the performance obligation is satisfied at a certain point in time.

The group determines at contract inception, whether control of each performance obligation transfers to a customer over time or at a point in time. Arrangements where the performance obligations are satisfied over time are not limited to services arrangements. The assessment of whether control transfers over time or at a point in time is critical to the timing of revenue recognition.

Over time method (OT)

Sales are recognized over time if any of the following is met:

- Customer simultaneously receives/consumes as the group performs
- The group creates/enhances an asset and customer controls it during this process
- Created asset has no alternative use for the customer and the group has enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience.

The group has construction contracts without right to payment clauses in cases of termination for convenience by the customer. The group applies the point in time method to recognize sales for such contracts.

The over time method is based on the percentage of costs to date compared with the total estimated contract costs (cost-to-cost method). In rare cases, other methods, such as a milestones method, may be used for a particular project assuming that the stage of completion can be better estimated than by applying the cost-to-cost method. Work progress of sub-suppliers is considered to determine the stage of completion. If circumstances arise that may change the original estimates of sales, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated sales or costs, and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

The income statement contains a share of sales, including an estimated share of profit. The balance sheet includes the corresponding contract assets if the assets exceed the advance payments from the customer of the project. When it appears probable that the total costs of an order will exceed the expected income, the total amount of expected loss is recognized immediately in the income statement.

Point in time method (PIT)

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time is met. Sales are recognized when (or as) the customer obtains control of that asset (depending on incoterms). The following points indicate that a customer has obtained control of an asset:

- The entity has a present right to payment
- The customer has legal title
- The customer has physical possession
- The customer has the significant risks and rewards of ownership
- The customer has accepted the asset

For contracts applying the point in time method, the transfer of risks and rewards of ownership (depending on international commercial terms) typically depicts the transfer in control most appropriately.

Contract classification per division

Sales are measured based on the consideration specified in a contract with a customer. Sales are recognized over time if any of the conditions above is met. If none of the criteria for satisfying a performance obligation over time is met, sales are recognized at a point in time.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition method.

Contract classification	Characteristics	Typical sales recognition method	
		Created asset has no alternative use for the customer and the group has enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience	Created asset has alternative use for the customer or the group has no enforceable right to payment (including reasonable profit margin) for performance up to date if the customer terminates the contract for convenience
Pumps Equipment			
Standard business	— Standard products made to stock — New pumps — Spare parts	n/a	PIT
Configured business	— Preconfigured products — Assembled and packaged on customer order	OT	PIT
Engineered business	— Highly customized products — Engineered to order according to customer's specifications	OT	PIT
Rotating Equipment Services			
Repair	— Turbo — Electromechanical — Pumps	OT	PIT
Parts	— Gas turbines components — Coils — Pumps spares — Retrofits — Off-the-shelf articles or manufactured on customer order — Others (tool container, remote monitoring, other spare parts)	OT	PIT
Services	— Overhaul / field service — Site setup — Disassembly / reassembly — Installation / commissioning — Technical support — Refurb / retrofit — Relocation — Long-term service agreement (LTSA) / long-term parts agreement (LTPA) — Customized services according to customer's specifications	OT	PIT OT for field services (asset that the customer controls)
Chemtech			
Rush orders	— Off-the-shelf articles of stock materials — Articles purchased for sale	n/a	PIT
Components	— Standard configured to customer's requirements — Tailor made to customer's requirements — Replacement of components — Standard mechanical engineering — Supervision — Installation workforce — Combined order for Separation Technology (ST) & Tower Field Services (TFS)	OT	PIT
Services / Engineered solutions	— Studies — Engineering — Site project management — Supervision — Key equipment — Installation — Procurement of equipment, spare parts	OT	PIT OT for certain service contracts where the customer simultaneously receives the service
Applicator Systems			
Rush orders	— Off-the-shelf articles of stock materials (production to stock)	n/a	PIT

Disaggregation of sales

In note 3 sales are disaggregated by:

- Divisions (group's reportable segments)
- Timing of sales recognition (sales recognition method: over time, point in time) and divisions
- Market segments and divisions
- Geographical regions and divisions

Payment terms

The group's general terms and conditions of supply require payments within 30 days after the invoice date.

If the group's general terms and conditions apply for a contract, the group is entitled to issue the invoices as follows: for one-third of the contract value within five days after effective date (date when the purchase order has been accepted by the supplier, or the date of the latest signing), for one-third after expiration of half of the delivery time, and for one-third within 45 days prior to delivery. Payments for prices calculated on a time basis are invoiced on a bi-weekly basis or after completion of the scope of supply, whichever occurs first.

Other payment terms may apply if otherwise defined in the customer contract, the purchase order, the respective change order or the quotation.

Variable considerations

If the consideration promised in a contract includes a variable amount (e.g. liquidated damages, early payment discount, volume discounts), the group estimate the amount of consideration to which the group will be entitled in exchange for transferring the promised goods or services to a customer. The amount of the variable consideration is estimated by using either of the following methods, depending on which method the group expect to better predict the amount of consideration to which it will be entitled: the expected value method or the most likely amount method. The method selected is applied consistently throughout the contract and to similar types of contracts when estimating the effect of uncertainty on the amount of variable consideration to which the group is entitled.

The group's general terms and conditions of supply foresee the following warranty periods. Except in cases where the scope of supply is limited to services only, the warranty period ends on the earliest of the dates below:

- After 12 months from the initial operation of the scope of supply
- After 18 months from delivery of the scope of supply
- In the event that delivery is delayed or impeded for reasons beyond the supplier's control, after 18 months from the date of the supplier's notification that the scope of supply is ready for dispatch

Where the scope of supply is limited to services only, the warranty period ends six months after completion of such services.

If the group fails to meet the delivery date for more than two calendar weeks due to reasons for which the group is directly responsible, and provided that the purchase order expressly provides liquidated damages for such failure, the purchaser is entitled to demand that the group pays liquidated damages at the rate stated in the purchase order.

The group's obligation for warranties, liquidated damages and other obligations is accounted for as a variable consideration in the sales and recognized as a provision.

Allocation of the transaction price

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. If the stand-alone selling price is not directly observable, then the group estimates the amount with the expected cost plus margin method.

34.23 Assets and disposal groups held for sale

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

34.24 Dividend distribution

Dividend distribution to the shareholders of Sulzer Ltd is resolved upon decision at the Annual General Meeting and will be paid in the same reporting period.

35 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated financial statements for issue on February 12, 2019. They are subject to approval at the Annual General Meeting, which will be held on April 3, 2019. At the time when these consolidated financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any events that would materially affect these financial statements.

36 Major subsidiaries

December 31, 2018

	Subsidiary	Sulzer ownership and voting rights	Registered capital (including paid-in capital in the USA and Canada)	Direct participation by Sulzer Ltd	Research and development	Production and engineering	Sales	Service
Europe								
Switzerland	Sulzer Chemtech AG, Winterthur	100%	CHF 10’000’000	●	●	●	●	●
	Sulzer Mixpac AG, Haag	100%	CHF 100’000	●	●	●	●	
	Sulzer Markets and Technology AG, Winterthur	100%	CHF 4’000’000	●				
	Sulzer Management AG, Winterthur	100%	CHF 500’000	●				
	Tefag AG, Winterthur	100%	CHF 500’000	●				
	Sulzer International AG, Winterthur	100%	CHF 100’000	●				
	Medmix Systems AG[1], Rotkreuz	100%	CHF 178’572	●	●	●	●	●
Belgium	Sulzer Pumps Wastewater Belgium N.V./S.A., St. Stevens-Woluwe	100%	EUR 123’947	●			●	●
	Ensival Moret International SA, Thimister-Clermont	100%	EUR 9’400’000	●				
	Ensival Moret Belgium SA, Thimister-Clermont	100%	EUR 7’400’000	●				
Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	100%	EUR 3’000’000	●	●	●	●	●
	Sulzer Pumps Wastewater Germany GmbH, Bonn	100%	EUR 300’000	●			●	●
	Sulzer Chemtech GmbH, Linden	100%	EUR 300’000	●			●	●
	Sulzer APS Deutschland Holding GmbH, Bechhofen	100%	EUR 870’000	●				
	Geka GmbH, Bechhofen	100%	EUR 878’600		●	●	●	●
	Transcodent GmbH & Co. KG, Kiel	100%	EUR 2’000		●	●	●	●
Denmark	Sulzer Mixpac Denmark A/S, Farum	100%	DKK 500’000	●				
	Sulzer Pumps Denmark A/S, Farum	100%	DKK 500’000	●			●	●
Finland	Sulzer Pumps Finland Oy, Kotka	100%	EUR 16’000’000	●	●	●	●	●
France	Sulzer Pompes France SASU, Buchelay	100%	EUR 6’600’000	●	●	●	●	●
	Ensival Moret France SASU, Saint-Quentin	100%	EUR 10’000’000	●		●	●	●
Great Britain	Sulzer Pumps (UK) Ltd., Leeds	100%	GBP 9’610’000		●	●	●	●
	Sulzer Chemtech (UK) Ltd., Stockton on Tees	100%	GBP 100’000				●	●
	Sulzer Electro Mechanical Services (UK) Ltd., Birmingham	100%	GBP 48’756			●	●	●
	Sulzer (UK) Holdings Ltd., Leeds	100%	GBP 6’100’000	●				
	Sulzer Mixpac (UK) Ltd., Hungerford	100%	GBP 1’000’000			●	●	

Ireland	Sulzer Pump Solutions Ireland Ltd., Wexford	100%	EUR 2'222'500	●	●	●	●	●
	Sulzer Finance (Ireland) Limited, Wexford	100%	EUR 100	●				
Italy	Sulzer Italy S.r.l., Casalecchio di Reno	100%	EUR 600'000	●			●	
Norway	Sulzer Pumps Wastewater Norway A/S, Sandvika	100%	NOK 502'000	●			●	●
	Sulzer Pumps Norway A/S, Klepp Stasjon	100%	NOK 500'000	●			●	●
The Netherlands	Sulzer Pumps Wastewater Netherlands B.V., Maastricht-Airport	100%	EUR 15'882				●	●
	Sulzer Chemtech Nederland B.V., Breda	100%	EUR 1'134'451				●	●
	Sulzer Turbo Services Rotterdam B.V., Europoort	100%	EUR 18'000			●	●	●
	Advanced Separation Company (Ascom) B.V., Arnhem	100%	EUR 18'000		●	●	●	
	Process Laboratories Netherlands (PROLAB NL) B.V., Arnhem	100%	EUR 18'000		●			●
	Sulzer Turbo Services Venlo B.V., Lomm	100%	EUR 444'704		●	●	●	●
	Sulzer Netherlands Holding B.V., Breda	100%	EUR 10'010'260	●				
	Sulzer Capital B.V., Breda	100%	EUR 50'000					
Austria	Sulzer Austria GmbH, Wiener Neudorf	100%	EUR 350'000	●			●	●
Poland	Sulzer Turbo Services Poland Sp. z o.o., Lublin	100%	PLN 2'427'000			●		●
	Sulzer Pumps Wastewater Poland Sp. z o.o., Warsaw	100%	PLN 800'000	●			●	●
	Sulzer Mixpac Poland Sp. z o.o., Nowa Wies Wroclawska	100%	PLN 5'000	●		●		
Russia	ZAO Sulzer Pumps, St. Petersburg	100%	RUB 8'000'000	●			●	
	Sulzer Pumps Rus LLC, Moscow	100%	RUB 6'000'600	●			●	●
	Sulzer Turbo Services Rus LLC, Moscow	100%	RUB 14'705'882	●				●
	Sulzer Chemtech LLC, Serpukhov	100%	RUB 55'500'000	●		●	●	●
Sweden	Sulzer Pumps Sweden AB, Vadstena	100%	SEK 3'000'000	●	●	●	●	●
Spain	Sulzer Pumps Spain S.A., Madrid	100%	EUR 1'750'497	●		●	●	●
	Sulzer Pumps Wastewater Spain S.A., Rivas Vaciamadrid	100%	EUR 2'000'000				●	●
North America								
Canada	Sulzer Pumps (Canada) Inc., Burnaby	100%	CAD 2'771'588			●	●	●
	Sulzer Chemtech Canada Inc., Edmonton	100%	CAD 1'000'000	●		●	●	●
	Sulzer Rotating Equipment Services (Canada) Ltd., Edmonton	100%	CAD 7'000'000	●		●	●	●
	JWC Environmental Canada ULC[1], Burnaby	100%	CAD 1'832'816			●	●	
USA	Sulzer Pumps (US) Inc., Houston, Texas	100%	USD 40'381'108		●	●	●	●

	Sulzer Pumps Solutions Inc., Easley, South Carolina	100%	USD 27'146'250			●	●	●
	Sulzer Pump Services (US) Inc., Houston, Texas	100%	USD 1'000			●	●	●
	Sulzer Chemtech USA, Inc., Tulsa, Oklahoma	100%	USD 47'895'000		●	●	●	●
	Sulzer Mixpac USA Inc., Salem, New Hampshire	100%	USD 100				●	
	Sulzer Turbo Services Houston Inc., La Porte, Texas	100%	USD 18'840'000			●	●	●
	Sulzer Turbo Services New Orleans Inc., Belle Chasse, Louisiana	100%	USD 4'006'122			●	●	●
	Sulzer Electro-Mechanical Services (US) Inc., Pasadena, Texas	100%	USD 12'461'286			●	●	●
	Sulzer US Holding Inc., Houston, Texas	100%	USD 200'561'040	●				
	Geka Manufacturing Corporation, Elgin	100%	USD 603'719			●	●	●
	JWC Environmental Inc.[1] , Santa Ana	100%	USD 220'818'520		●	●	●	●
Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	100%	MXN 4'887'413	●		●	●	●
	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	100%	MXN 231'345'500	●		●	●	●
Central and South America								
Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	100%	ARS 9'730'091	●		●	●	●
Brazil	Sulzer Brasil S.A., Jundiaí	100%	BRL 81'789'432	●		●	●	●
	Sulzer Pumps Wastewater Brasil Ltda., Jundiaí	100%	BRL 37'966'785	●		●	●	●
	Sulzer Services Brasil, Triunfo	100%	BRL 40'675'856	●				●
	Geka do Brasil Indústria e Comércio de Embalagens Ltda., Sao Paulo	100%	BRL 15'009'794	●		●	●	●
Chile	Sulzer Bombas Chile Ltda., Vitacura	100%	CLP 46'400'000	●			●	
Colombia	Sulzer Pumps Colombia S.A.S., Cota	100%	COP 7'142'000'000	●			●	●
Venezuela	Sulzer Pumps (Venezuela) S.A., Barcelona	100%	VES 2'000				●	●
Africa								
South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	75%	ZAR 100'450'000		●	●	●	●
	Sulzer (South Africa) Holdings (Pty) Ltd., Elandsfontein	100%	ZAR 16'476	●		●	●	●
Morocco	Sulzer Maroc S.A.R.L. A.U., Ain Sebaa	100%	MAD 3'380'000	●				●
Nigeria	Sulzer Pumps (Nigeria) Ltd., Lagos	100%	NGN 10'000'000	●			●	●
Zambia	Sulzer Zambia Ltd., Chingola	100%	ZMK 15'000'000	●			●	●
Middle East								
United Arab Emirates	Sulzer Pumps Middle East FZCO, Dubai	100%	AED 500'000	●			●	●
	Sulzer Rotating Equipment FZE, Dubai	100%	USD 272'000				●	●
Saudi Arabia	Sulzer Saudi Pump Company Limited, Riyadh	75%	SAR 44'617'000	●		●	●	●

Bahrain	Sulzer Chemtech Middle East S.P.C., Al Seef	100%	BHD 50'000	●			●	
Asia								
India	Sulzer Pumps India Pvt. Ltd., Navi Mumbai	99%	INR 25'000'000	●		●	●	●
	Sulzer India Pvt. Ltd., Pune	100%	INR 34'500'000	●		●	●	●
	Sulzer Tech India Pvt. Ltd., Navi Mumbai	100%	INR 100'000	●		●		
Indonesia	PT. Sulzer Indonesia, Purwakarta	95%	IDR 28'234'800'000	●		●	●	●
Japan	Sulzer Daiichi K.K., Tokyo	60%	JPY 30'000'000	●			●	
	Sulzer Japan Ltd., Tokyo	100%	JPY 30'000'000	●		●	●	●
Malaysia	Sulzer Pumps Wastewater Malaysia Sdn. Bhd., Selangor Darul Ehsan	100%	MYR 500'000	●			●	
Singapore	Sulzer Singapore Pte. Ltd., Singapore	100%	SGD 1'000'000	●		●	●	●
South Korea	Sulzer Korea Ltd., Seoul	100%	KRW 222'440'000	●			●	
Thailand	Sulzer Chemtech Co., Ltd., Rayong	100%	THB 25'000'000	●				●
People's Republic of China	Sulzer Dalian Pumps & Compressors Ltd., Dalian	100%	CHF 21'290'000	●		●	●	●
	Sulzer Pumps Suzhou Ltd., Suzhou	100%	CNY 82'069'324	●		●	●	●
	Sulzer Pump Solutions (Kunshan) Co., Ltd., Kunshan	100%	USD 5'760'000	●		●		
	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	100%	CNY 61'432'607	●	●	●	●	●
	Sulzer Pumps Wastewater Shanghai Co. Ltd., Shanghai	100%	USD 1'550'000	●			●	●
Australia								
	Sulzer Australia Pty Ltd., Brisbane	100%	AUD 5'308'890				●	●
	Sulzer Australia Holding Pty Ltd., Brendale	100%	AUD 34'820'100	●				

1) Acquired in 2018.

KPMG

Statutory Auditor's Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sulzer Ltd and its subsidiaries (the Group), which comprise the "Consolidated balance sheet" as at December 31, 2018 and the "Consolidated income statement", "Consolidated statement of comprehensive income", "Consolidated statement of changes in equity" and "Consolidated statement of cash flows" for the year then ended, and "Notes to the consolidated financial statements", including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key Audit Matters

Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities

Accounting for warranties and other cost to fulfil contract obligations

Valuation of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities

Key Audit Matter

As per December 31, 2018, revenue from customer contracts amounts to CHF 3,364.9 million, contract assets amount to CHF 205.1 million, contract liabilities to CHF 256.4 million, the balance of work in progress (WIP) amounts to CHF 303.5 million and trade accounts receivable amount to CHF 622.3 million.

Following the first-time application of the new revenue recognition standard (IFRS 15, Revenue from Contracts with Customers), the Group adopted its accounting policies and adjusted its opening balances as at January 1, 2018, applying the cumulative effect method with no restatement of the comparative period.

Under IFRS 15 revenue is recognised when a performance obligation is satisfied by transferring control over a promised good or service.

Revenue and related costs from long-term customer orders (construction and service contracts) are recognized over time (OT), provided they fulfill the criteria of International Financial Reporting Standards, specifically having the right for payment in case of termination for convenience. The OT method allows recognizing revenues by reference to the stage of completion of the contract. The application of the OT method is complex and requires judgments by management when estimating the stage of completion, total project costs and the costs to complete the work. Incorrect assumptions and estimates can lead to revenue being recognized in the wrong reporting period or in amounts inadequate to the actual stage of completion, and therefore to an incorrect result for the period.

During order fulfillment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated project costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision.

Regarding the projects recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.

Our response

Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts.

With regard to the implementation of IFRS 15 we verified management’s conclusion from assessing different types of contracts and the accuracy of the Group’s revised accounting policies in light of the industry specific circumstances and our understanding of the business. We tested the appropriateness of the accounting treatment on a sample basis and recalculated the resulting adjustments recorded in the opening balance. In addition, we verified the accuracy of IFRS 15 related disclosures.

For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions.

These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their project risk assessments and inspected meeting minutes from project reviews performed by management to identify relevant changes in their assessments and estimates. We challenged these estimates and judgments made for OT projects including comparing estimated project financials between reporting periods and assessed the historical accuracy of these estimates.

On a sample basis, we reconciled revenue to the supporting documentation, validated estimates of costs to complete, tested the mathematical accuracy of calculations and the adequacy of project accounting. We also examined costs included within contract assets on a sample basis by verifying the amounts back to source documentation and tested their recoverability through comparing the net realizable values as per the agreements with estimated cost to complete.

We further performed testing for PIT projects on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off.

For further information on customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade accounts receivable and accuracy of contract liabilities refer to the following:

– Note 19 to the consolidated financial statements

Accounting for warranties and other cost to fulfil contract obligations

Key Audit Matter

As per December 31, 2018, provisions in the amount of CHF 78.9 million are held on the balance sheet to cover expected costs arising from product warranties. Additional expected costs to fulfil contract obligations and for onerous contracts are recorded as other provisions.

Sulzer is exposed to claims from customers for not meeting contractual obligations. Remedying measures, addressing technical shortcomings or settlement negotiations with clients may take several months and cause additional costs. The assessment of these costs to satisfy order related obligations contains management assumptions with a higher risk of material misjudgment.

Our response

Based on our knowledge gained through contract and project reviews, we assessed the need for and the accuracy of provisions and deductions in revenue for variable consideration for expected liquidated damages.

We further challenged management’s contract risk assessments by enquiries, inspection of meeting minutes and review of correspondence with customers where available.

Where milestones or contract specifications were not met, we challenged the recognition and appropriateness of variable consideration and provisions by recalculating the amounts, obtaining written management statements and evidence from supporting documents such as correspondence with clients or legal assessments of external counsels where available.

We also took into account the historical accuracy of estimates made by management through retrospective reviews. In order to gain a complete and clear understanding of legal matters we further performed enquiry procedures with the office of Sulzer’s General Counsel and reviewed relevant documents.

For further information on accounting for warranties and other cost to fulfil contract obligations to the following:

– Note 26 to the consolidated financial statements

Valuation of goodwill

Key Audit Matter

As at December 31, 2018, Sulzer's balance sheet included goodwill amounting to CHF 923.4 million.

Goodwill has to be assessed for impairment on a yearly basis by management using a discounted cash flow model to individually determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied as well as the determination of the cash generating units ("CGUs" for the goodwill impairment testing.

The goodwill balance is significant compared to total assets and there are a number of judgments involved in performing the impairment test. Furthermore, the economic conditions continue to be challenging in some of Sulzer's key markets, specifically the oil and gas sector. With half of its business within this market segment, Sulzer's financial performance is significantly affected by the low oil prices and the resulting subdued demand and price pressure from its oil and gas customers.

Our response

As a first step, we assessed the appropriateness of the CGUs identified. Our audit procedures then included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures.

We thereby focused on those CGUs with the most significant goodwill balances or where reasonably possible changes of key assumptions would lead to an impairment and performed the following procedures amongst others:

- gaining an understanding and assessing the reasonableness of business plans by comparing them to prior year's assumptions;
- comparing business plan data against budgets and two-year plans as approved by management;
- recalculating the value in use calculations;
- challenging the robustness of the key assumptions used to determine the value in use, including the allocation of goodwill to the adequate CGUs, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;
- conducting sensitivity analysis, taking into account the historical forecasting accuracy; and
- comparing the sum of calculated values in use to the market capitalization of the Group.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on valuation of goodwill refer to the following:

— Note 14 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Simon Niklaus
Licensed Audit Expert

Zurich, February 12, 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Five-year summaries of key financial data

Key figures from consolidated income statement and statement of cash flows

millions of CHF		2018[1)]	2017	2016	2015	2014
Order intake		3'531.5	3'155.7	2'797.5	2'895.8	3'160.8
Order intake gross margin		33.3%	34.4%	34.0%	33.8%	33.5%
Order backlog		1'786.9	1'593.5	1'439.1	1'510.7	1'699.6
Sales		3'364.9	3'049.0	2'876.7	2'971.0	3'212.1
Operating income	EBIT	183.8	136.5	115.3	120.9	–69.0
Operational EBITA	opEBITA	322.5	255.4	238.9	254.1	302.9
Operational EBITA margin (operational EBITA/sales)	opROSA	9.6%	8.4%	8.3%	8.6%	9.4%
Return on capital employed (operational EBITA in % of average capital employed)	opROCEA	18.1%	15.8%	15.7%	17.0%	17.1%
Net income attributable to shareholders of Sulzer Ltd		113.7	83.2	59.0	73.9	275.0
– in percentage of equity attributable to shareholders of Sulzer Ltd	ROE	7.0%	5.0%	3.7%	3.3%	11.3%
Reported EPS	EPS	3.56	2.44	1.73	2.17	8.09
Depreciation		–71.7	–71.7	–69.5	–74.1	–79.2
Amortization		–69.0	–53.8	–47.3	–42.3	–43.3
Impairments of tangible and intangible assets		–4.4	–15.4	–18.4	–13.0	–0.4
Research and development expenses		–86.4	–81.0	–71.4	–73.4	–76.2
Personnel expenses		–1'129.7	–1'078.2	–971.1	–1'020.8	–1'046.2
Capital expenditure		–96.2	–81.2	–74.9	–73.7	–96.0
Free cash flow		173.9	127.0	200.5	155.8	98.0
FCF conversion (free cash flow/net income)		1.49	1.46	3.34	2.08	0.35
Employees (number of full-time equivalents) as of December 31		15'572	14'732	14'005	14'253	15'494

1) According to IFRS 15, see financial review and note 34 of the consolidated financial statements for details.

Key figures from consolidated balance sheet

millions of CHF		2018[1)]	2017	2016	2015	2014
Non-current assets		2'057.7	1'990.5	1'809.9	1'574.0	1'681.9
– thereof property, plant and equipment		527.0	531.6	511.0	491.4	530.7
Current assets		2'840.6	2'126.8	1'926.0	2'680.8	2'971.1
– thereof cash and cash equivalents and marketable securities		1'095.2	488.8	429.5	1'217.3	1'301.5
Total assets		4'898.3	4'117.3	3'735.9	4'254.8	4'653.0
Equity attributable to shareholders of Sulzer Ltd		1'629.9	1'680.1	1'581.2	2'224.7	2'435.4
Non-current liabilities		1'646.8	900.1	980.3	472.1	994.5
– thereof long-term borrowings		1'316.3	458.7	458.3	7.2	510.3
Current liabilities		1'610.4	1'514.8	1'164.6	1'548.5	1'216.5
– thereof short-term borrowings		18.0	255.1	7.1	514.4	17.7
Net liquidity[2)]		–239.0	–225.0	–35.9	695.7	773.5
Equity ratio[3)]		33.3%	40.8%	42.3%	52.3%	52.4%
Borrowings-to-equity ratio (gearing)		0.82	0.42	0.29	0.23	0.22

1) According to IFRS 15, see financial review and note 34 of the consolidated financial statements for details.
2) Cash and cash equivalents and marketable securities, less short-term and long-term borrowings.
3) Equity attributable to shareholders of Sulzer Ltd in relation to total assets.

Five-year summaries by division

	Order intake					Sales				
millions of CHF	**2018[1)]**	**2017**	**2016**	**2015**	**2014**	**2018[1)]**	**2017**	**2016**	**2015**	**2014**
Pumps Equipment	1'372.1	1'180.2	1'066.8	1'152.8	1'377.1	1'284.2	1'120.0	1'155.3	1'276.8	1'405.5
Rotating Equipment Services	1'109.7	1'047.7	986.4	1'034.1	1'065.3	1'063.7	1'029.5	1'003.4	1'024.6	1'065.2
Chemtech	600.1	501.5	471.8	525.7	538.3	563.2	478.0	446.0	486.2	563.6
Applicator Systems	449.6	426.3	272.6	183.2	180.0	453.8	421.6	272.0	183.4	177.8
Total	**3'531.5**	**3'155.7**	**2'797.5**	**2'895.8**	**3'160.8**	**3'364.9**	**3'049.0**	**2'876.7**	**2'971.0**	**3'212.1**

	Order backlog					Employees[2)]				
millions of CHF	**2018[1)]**	**2017**	**2016**	**2015**	**2014**	**2018[1)]**	**2017**	**2016**	**2015**	**2014**
Pumps Equipment	982.9	847.0	697.4	998.0	1'209.4	5'713	5'453	5'156	6'996	7'365
Rotating Equipment Services	393.1	364.4	378.7	205.0	212.2	4'721	4'485	4'541	3'538	3'709
Chemtech	345.9	315.3	304.9	307.7	282.0	3'063	2'878	2'570	3'539	4'287
Applicator Systems	65.0	66.8	58.0	0.0	0.0	1'864	1'716	1'562	0	0
Divisions	**1'786.9**	**1'593.5**	**1'439.0**	**1'510.7**	**1'703.6**	**15'361**	**14'532**	**13'829**	**14'073**	**15'361**
Others	–0.0	0.0	0.1	0.0	–4.0	211	200	176	180	133
Total	**1'786.9**	**1'593.5**	**1'439.1**	**1'510.7**	**1'699.6**	**15'572**	**14'732**	**14'005**	**14'253**	**15'494**

	Operational EBITA					Operational capital employed				
millions of CHF	**2018[1)]**	**2017**	**2016**	**2015**	**2014**	**2018[1)]**	**2017**	**2016**	**2015**	**2014**
Pumps Equipment	41.4	–3.7	13.0	118.1	160.6	717.7	617.3	760.6	746.3	1'115.6
Rotating Equipment Services	146.1	144.0	139.5	70.8	64.5	548.2	506.5	400.6	422.0	408.7
Chemtech	50.0	25.0	18.0	67.4	93.6	203.1	221.5	223.8	406.3	342.6
Applicator Systems	95.7	86.8	64.1	0.0	0.0	418.2	382.5	220.0	0.0	0.0
Divisions	**333.2**	**252.1**	**234.6**	**256.3**	**318.7**	**1'887.3**	**1'727.8**	**1'605.0**	**1'574.6**	**1'866.9**
Others	–10.7	3.3	4.3	–2.2	–15.8	–110.6	–113.0	–85.1	–76.8	–99.6
Total	**322.5**	**255.4**	**238.9**	**254.1**	**302.9**	**1'776.8**	**1'614.8**	**1'519.9**	**1'497.8**	**1'767.3**

1) According to IFRS 15, see financial review and note 34 of the consolidated financial statements for details.
2) Number of full-time equivalents as of December 31.

Five-year summaries by region

Order intake by region

millions of CHF	2018[1]	2017	2016	2015	2014
Europe, Middle East, Africa	1’535.9	1’422.1	1’254.8	1’303.7	1’305.5
Americas	1’297.1	1’038.2	949.8	1’065.3	1’165.4
Asia-Pacific	698.5	695.4	592.9	526.8	689.9
Total	**3’531.5**	**3’155.7**	**2’797.5**	**2’895.8**	**3’160.8**

Sales by region

millions of CHF	2018[1]	2017	2016	2015	2014
Europe, Middle East, Africa	1’468.9	1’411.6	1’271.8	1’214.0	1’264.7
Americas	1’107.6	1’003.5	1’041.9	1’134.9	1’177.4
Asia-Pacific	788.4	633.9	563.0	622.1	770.0
Total	**3’364.9**	**3’049.0**	**2’876.7**	**2’971.0**	**3’212.1**

Capital employed (average) by company location

millions of CHF	2018[1]	2017	2016	2015	2014
Europe, Middle East, Africa	1’155.3	1’061.5	941.8	875.5	1’152.4
Americas	456.9	384.5	391.8	415.8	406.6
Asia-Pacific	164.5	168.8	186.3	206.5	208.3
Total	**1’776.8**	**1’614.8**	**1’519.9**	**1’497.8**	**1’767.3**

Employees by company location[2]

millions of CHF	2018[1]	2017	2016	2015	2014
Europe, Middle East, Africa	7’462	7’279	6’804	6’504	6’607
Americas	4’374	3’911	3’822	4’139	4’545
Asia-Pacific	3’737	3’542	3’379	3’610	4’342
Total	**15’572**	**14’732**	**14’005**	**14’253**	**15’494**

1) According to IFRS 15, see financial review and note 34 of the consolidated financial statements for details.
2) Number of full-time equivalents as of December 31.

Balance sheet of Sulzer Ltd

December 31

millions of CHF	Notes	2018	2017
Current assets			
Cash and cash equivalents	3	334.3	125.8
Accounts receivable from subsidiaries		190.6	44.4
Prepaid expenses and other current accounts receivable		2.3	2.7
Total current assets		**527.2**	**172.9**
Non-current assets			
Loans to subsidiaries		648.1	652.6
Financial assets		6.6	9.1
Investments in subsidiaries	4	2'106.5	1'785.6
Total non-current assets		**2'761.2**	**2'447.3**
Total assets		**3'288.4**	**2'620.2**
Current liabilities			
Current interest-bearing liabilities		–	224.6
Current interest-bearing liabilities with subsidiaries		10.4	38.0
Current liabilities with subsidiaries		1.7	45.1
Current liabilities with shareholders		184.9	–
Accrued liabilities and other current liabilities		10.6	13.0
Current provisions		4.6	4.7
Total current liabilities		**212.2**	**325.4**
Non-current liabilities			
Non-current interest-bearing liabilities	6	1'308.7	450.4
Non-current liabilities with subsidiaries		–	79.1
Non-current provisions		37.2	38.2
Total non-current liabilities		**1'345.9**	**567.7**
Total liabilities		**1'558.1**	**893.1**
Equity			
Registered share capital	5	0.3	0.3
Legal capital reserves		205.5	205.5
Reserves from capital contribution		201.0	-
Voluntary retained earnings			
– Free reserves		1'185.5	1'386.5
– Retained earnings		37.8	67.6
– Net profit for the year		134.2	89.3
Treasury shares	5	–34.0	–22.1
Total equity		**1'730.3**	**1'727.1**
Total equity and liabilities		**3'288.4**	**2'620.2**

Income statement of Sulzer Ltd

January 1–December 31

millions of CHF	Notes	2018	2017
Income			
Investment income	9	125.1	122.9
Financial income		57.2	45.2
Other income	10	64.7	37.3
Total income		**247.0**	**205.4**
Expenses			
Administrative expenses	8	45.5	61.8
Financial expenses		14.3	13.5
Investment and loan expenses	9	49.0	36.8
Other expenses		2.4	3.9
Direct taxes		1.6	0.1
Total expenses		**112.8**	**116.1**
Net profit for the year		**134.2**	**89.3**

Statement of changes in equity of Sulzer Ltd

January 1–December 31

millions of CHF	Share capital	Legal reserves	Reserves from capital contribution	Free reserves	Retained earnings	Net income	Treasury shares	Total
Equity as of January 1, 2017	**0.3**	**205.5**	**-**	**1’486.5**	**82.2**	**4.8**	**–16.9**	**1’762.4**
Dividend						–119.4		–119.4
Allocation of net income				–100.0	–14.6	114.6		–
Net profit for the year						89.3		89.3
Change in treasury shares							–5.2	–5.2
Equity as of December 31, 2017	**0.3**	**205.5**	**-**	**1’386.5**	**67.6**	**89.3**	**–22.1**	**1’727.1**
Dividend						–119.1		–119.1
Allocation of net income					–29.8	29.8		–
Net profit for the year						134.2		134.2
Change in treasury shares							–11.9	–11.9
Allocation to reserves from capital contribution			201.0	–201.0				–
Equity as of December 31, 2018	**0.3**	**205.5**	**201.0**	**1’185.5**	**37.8**	**134.2**	**–34.0**	**1’730.3**

1 General information

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

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

2 Key accounting policies and principles

Treasury shares

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

Investments in subsidiaries and third parties

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

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities are recognized in the balance sheet at amortized cost. Discounts and issue costs for bonds are amortized on a straight-line basis over the bond's maturity period.

Share-based payments

Sulzer Ltd operates a share-based payment program that covers the Board of Directors. Restricted share units (RSU) are granted annually. The plan features graded vesting over a three-year period. One RSU award is settled with one Sulzer share at the end of the vesting period. Awards automatically vest with the departure from the Board. The fair value of the Sulzer share at vesting date is recognized as compensation to the Board of Directors.

Foregoing a cash flow statement and additional disclosures in the notes

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

3 Cash and cash equivalents

Sulzer Ltd arranged a CHF 500 million syndicated credit facility with maturity date May 2020 with two one-year extension options. During 2017 the facility was extended for another year until May 2022. The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of December 31, 2018, the facility was not used, while at the end of 2017, CHF 224.6 million of the facility was used.

4 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by Sulzer Ltd is included in note 36 of the consolidated financial statements.

5 Registered share capital

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

Shareholders holding more than 3%

	Dec 31, 2018		Dec 31, 2017	
	Number of shares	**in %**	Number of shares	in %
Viktor Vekselberg (direct shareholder: Tiwel Holding AG)	16’728’414	48.82	-	-
Renova Group	-	-	21’728’914	63.42

Treasury shares held by Sulzer Ltd

	2018		2017	
millions of CHF	Number of shares	Total transaction amount	Number of shares	Total transaction amount
Balance as of January 1	219’277	22.1	177’461	16.9
Purchase	5’159’149	563.7	109’720	11.8
Sale	–5’000’000	–544.8	–	–
Share-based remuneration	–66’555	–7.0	–67’904	–6.6
Balance as of December 31	**311’871**	**34.0**	**219’277**	**22.1**

The total number of treasury shares held by Sulzer Ltd as of December 31, 2018, amounted to 311’871 (December 31, 2017: 219’277 shares), which are mainly held for the purpose of issuing shares under the management share-based payment programs.

6 Non-current interest-bearing liabilities

	2018		2017	
millions of CHF	Book value	Nominal	Book value	Nominal
0.375% 07/2016–07/2022	325.3	325.0	325.4	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
0.250% 07/2018–07/2020	109.8	110.0	–	–
1.300% 07/2018–07/2023	289.3	290.0	–	–
0.625% 10/2018–10/2021	209.5	210.0	–	–
1.600% 10/2018–10/2024	249.8	250.0	–	–
Total as of December 31	**1’308.7**	**1’310.0**	**450.4**	**450.0**

On July 6, 2018, Sulzer issued two bonds via dual tranches of CHF 400 million in total. The first tranche of CHF 110 million has a term of two years and carries a coupon of 0.25% and has an effective interest rate of 0.37%. The second tranche of CHF 290 million has a term of five years and carries a coupon of 1.3% and has an effective interest rate of 1.35%.

On October 22, 2018, Sulzer issued two bonds via dual tranches of CHF 460 million in total. The first tranche of CHF 210 million has a term of three years and carries a coupon of 0.625% % and has an effective interest rate of 0.71%. The second tranche of CHF 250 million has a term of six years and carries a coupon of 1.6% and has an effective interest rate of 1.62%.

All the outstanding bonds are traded at the SIX Swiss Exchange.

7 Contingent liabilities

millions of CHF	2018	2017
Guarantees, sureties and comfort letters for subsidiaries		
– to banks and insurance companies	1'336.1	1'393.4
– to customers	252.6	268.8
– to others	527.3	251.1
Guarantees for third parties	10.0	10.0
Total contingent liabilities as of December 31	**2'126.0**	**1'923.3**

As of December 31, 2018, CHF 321.3 million (2017: CHF 342.0 million) of guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

8 Administrative expenses

millions of CHF	2018	2017
Compensation of Board of Directors	2.6	2.3
Other administrative expenses	42.9	59.5
Total administrative expenses	**45.5**	**61.8**

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

9 Investment income and investment and loan expenses

In 2018, the investment income contains ordinary and extraordinary dividend payments from subsidiaries amounting to CHF 125.1 million (2017: CHF 122.9 million).

The investment and loan expenses contain allowances on investments and loans amounting to CHF 49.0 million (2017: CHF 36.8 million).

10 Other income

During 2018, the company sold unquoted equity instruments previously measured at cost to Sulzer Vorsorgeeinrichtung, Sulzer's pension fund. The transaction price was CHF 31.7 million and the resulting profit CHF 28.5 million. The transaction was priced on an arm's length basis and was settled in cash prior to December 31, 2018.

The income from trademark license amounts to CHF 36.2 million (2017: CHF 36.7 million).

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

Restricted share units for members of the Board

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

					2018
	Sulzer shares	Restricted share units (RSU)[1]	Performance share units (PSU) 2016[2]	Performance share units (PSU) 2017[3]	Performance share units (PSU) 2018[4]
Board of Directors	**38’114**	**16’516**	**–**	**–**	**–**
Peter Löscher	14’607	4’647	–	–	–
Matthias Bichsel	5’241	2’884	–	–	–
Hanne Birgitte Breinbjerg Sørensen	–	1’005	–	–	–
Lukas Braunschweiler	–	1’005	–	–	–
Mikhail Lifshitz	1’449	2’325	–	–	–
Marco Musetti	6’222	2’325	–	–	–
Gerhard Roiss	10’595	2’325	–	–	–
Executive Committee	**34’035**	**3’513**	**28’852**	**26’667**	**31’071**
Greg Poux-Guillaume	21’381	–	18’641	13’196	12’820
Daniel Bischofberger	–	–	1’424	3’024	2’938
Frédéric Lalanne	2’237	3’513	2’314	3’024	2’938
Jill Lee	7’945	–	–	–	3’561
Armand Sohet	–	–	3’560	3’024	2’938
Michael Streicher	764	–	1’942	1’375	2’938
Torsten Wintergerste	1’708	–	971	3’024	2’938

1) Restricted share units assigned by Sulzer.
2) The average fair value of one performance share unit 2016 at grant date amounted to CHF 118.05.
3) The average fair value of one performance share unit 2017 at grant date amounted to CHF 116.02.
4) The average fair value of one performance share unit 2018 at grant date amounted to CHF 143.62.

					2017
	Sulzer shares	Restricted share units (RSU)[1]	Performance share units (PSU) 2015[2]	Performance share units (PSU) 2016[3]	Performance share units (PSU) 2017[4]
Board of Directors	**31’044**	**23’483**	**–**	**–**	**–**
Peter Löscher	–	5’244	–	–	–
Matthias Bichsel	3’624	3’253	–	–	–
Thomas Glanzmann	6’841	2’625	–	–	–
Axel C. Heitmann	526	2’243	–	–	–
Jill Lee	5’320	2’625	–	–	–
Mikhail Lifshitz	526	2’243	–	–	–
Marco Musetti	4’917	2’625	–	–	–
Gerhard Roiss	9’290	2’625	–	–	–
Executive Committee	**46’835**	**22’546**	**6’594**	**37’266**	**32’624**
Greg Poux-Guillaume	9’682	15’121	942	18’641	13’196
Daniel Bischofberger	–	–	–	1’424	3’024
Thomas Dittrich	21’000	–	2’826	5’178	3’666
Frédéric Lalanne	–	7’026	–	2’314	3’024
César Montenegro	14’844	–	2’826	5’178	3’666
Armand Sohet	–	–	–	3’560	3’024
Torsten Wintergerste	1’309	399	–	971	3’024

1) Restricted share units assigned by Sulzer.

2) The average fair value of one performance share unit 2015 at grant date amounted to CHF 193.97.

3) The average fair value of one performance share unit 2016 at grant date amounted to CHF 118.05.

4) The average fair value of one performance share unit 2017 at grant date amounted to CHF 116.02.

Granted Sulzer shares to members of the Board of Directors

	2018		2017	
	Quantity	Value in CHF	Quantity	Value in CHF
Allocated to members of the Board of Directors	9’288	1’155’710	11’001	1’156’119

12 Subsequent events after the balance sheet date

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

Proposal of the Board of Directors for the appropriation of the available profit

in CHF	2018	2017
Net profit for the year	134’200’000	89’300’000
Unallocated profit carried forward from previous year	37’838’775	67’624’595
Total available profit	**172’038’775**	**156’924’595**
Ordinary dividend	**–118’826’747**	**–119’150’826**
Balance carried forward	**53’212’028**	**37’773’769**
Distribution per share CHF 0.01		
Gross dividend	3.50	3.50
less 35% withholding tax	1.23	1.23
Net payment	**2.27**	**2.27**

The Board of Directors proposes the payment of a dividend of CHF 3.50 per share to the Annual General Meeting on April 3, 2019. The company will not pay a dividend on treasury shares held by Sulzer Ltd or one of its subsidiaries.

Statutory Auditor's Report

To the General Meeting of Sulzer Ltd, Winterthur

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sulzer Ltd, which comprise the "Balance sheet of Sulzer Ltd" as at December 31, 2018, the "Income statement of Sulzer Ltd", the "Statement of changes in equity of Sulzer Ltd" for the year then ended, and the "Notes to the financial statements of Sulzer Ltd", including a summary of significant accounting policies.

In our opinion the financial statements for the year ended December 31, 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Simon Niklaus
Licensed Audit Expert

Zurich, February 12, 2019

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Sprachen

Der Sulzer-Geschäftsbericht 2018 ist auch in englischer Sprache verfügbar. Das Original ist in englischer Sprache verfasst.