

## MEDIA RELEASE

Winterthur, July 22, 2010

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Stabilizing markets and strengthened service business

## Sulzer achieves healthy profitability in the first half of 2010

Sulzer achieved a healthy level of profitability with a return on sales of 10.5% in the first half of 2010, based on early adaptation measures initiated in 2009. Order intake in the first half of 2010 increased by 4.2% (adjusted<sup>1</sup> 3.5%) on the base of signs of fundamental recovery in Sulzer's early-cycle markets and indications of stabilization in the late-cycle industries. Sales decreased due to the significantly lower order intake in 2009 and the timing of specific projects. The service network was considerably strengthened by the acquisition of Dowding & Mills. Sulzer's balance sheet continues to be strong, allowing for further acquisitions. For the full year, order intake is expected to be at a level comparable to the previous year, while sales and operating income are likely to decrease. Profitability is forecasted to remain healthy.

### Overview of key figures for the first half of 2010 (January – June)

(millions of CHF)	1H 2010	1H 2009	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>1 622.0</b>	1 556.2	4.2%	3.5%
Order backlog (June 30/Dec. 31)	<b>2 009.1</b>	1 871.7	7.3%	
Sales	<b>1 471.5</b>	1 724.7	-14.7%	-15.8%
Operating income before restructuring (EBITR)	<b>155.3</b>	250.5	-38.0%	
Operating income (EBIT)	<b>154.9</b>	214.4	-27.8%	
Return on sales before restructuring (ROSR) <sup>2</sup>	<b>10.6%</b>	14.5%		
Return on sales (ROS) <sup>3</sup>	<b>10.5%</b>	12.4%		
Net income <sup>4</sup>	<b>111.7</b>	155.6	-28.2%	
Basic earnings per share (in CHF) <sup>4</sup>	<b>3.32</b>	4.64	-28.4%	
Free cash flow	<b>37.0</b>	202.6		
Net liquidity as of June 30/Dec. 31	<b>409.4</b>	670.6		
Employees (June 30/Dec. 31) (number of full-time equivalents)	<b>13 211</b>	12 183	8.4%	

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> EBITR/sales

<sup>3</sup> EBIT/sales

<sup>4</sup> Attributable to shareholders of Sulzer Ltd

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Sulzer maintained its strong market positions and achieved an order intake in the first half of 2010 that was higher than order intake in both the first and second halves of the previous year. Sulzer's early-cycle markets developed positively, with signs of fundamental recovery in the pulp and paper and the automotive industries. The aviation industry developed at a stable level. In Sulzer's late-cycle markets—oil and gas and hydrocarbon processing—some signs of stabilization became visible. However, many customers were still cautious with regard to large-scale investments and continued to postpone projects. As expected, the power generation industry declined clearly from the very high levels of previous years. Some emerging markets, particularly in Asia, showed growing demand, while the established markets remained at lower levels, except for Europe.

Sales declined in the first half of 2010 due to the significantly lower order intake in 2009 and the timing of specific projects. The impact of the currency effect was only slightly negative, as the weakness of the US dollar, the euro, and the British pound was largely compensated by stronger currencies in the emerging markets.

Operating income and net income declined on the base of lower sales volumes and due to the exceptionally high contribution of real estate activities in the first half of 2009. With early comprehensive adaptation measures initiated in 2009, Sulzer achieved a healthy level of profitability with a return on sales of 10.5%. Some further adaptation measures were implemented in the first half of 2010. All divisions are continuing to monitor market developments closely and are prepared to act when required.

The service business was significantly strengthened through the acquisitions of Dowding & Mills, a leading repair and maintenance provider for generators, motors, and associated equipment, and Bekaert's diamond-like coating service activities. Sulzer's balance sheet remains strong, and the company is continuing to pursue further acquisitions in order to enhance the portfolio and the global production and service network. Sulzer will maintain its criteria of strategic fit, value creation, and integration ability.

### **Outlook for 2010: Positive markets trends to continue**

Sulzer is well positioned in still challenging markets based on its performance-critical solutions and growth opportunities in promising new areas. The company continues to focus on profitability and on further developing growth opportunities.

The positive trend in Sulzer's early-cycle automotive and pulp and paper markets is expected to continue, albeit at a slower pace. Further stabilization is likely in the aviation industry. In the late-cycle oil and gas and hydrocarbon processing industries, a fast recovery is not expected

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as many customers further delay projects. In the power generation market, activity is forecast to remain low with the potential for further downward adjustments. Demand in some emerging markets is expected to develop at a faster pace compared with the established markets.

For the full year, order intake is expected to be at a level comparable with that of 2009. The lower order intake in the second half of 2009 will result in lower sales and operating income this year. Profitability is forecast to remain at a healthy level.

### *Results in detail*

#### **Sulzer Pumps: good profitability in late-cycle markets**

Sales and operating income were lower compared with the first half of the previous year based on a lower order intake in 2009 and the timing of specific projects. The successful implementation of the adaptation program in 2009 supported Sulzer Pumps' profitability and partially compensated for lower production volumes. Some additional adaptation measures were taken in early 2010. The division continues to expand its product portfolio in the emerging markets. In China, the new production facility for the domestic market will open in the second half-year, and capacity expansion in Brazil is ongoing.

Sulzer Pumps expects the oil and gas, hydrocarbon processing, and power generation industries to remain weak, with a potential for further downward adjustment. Continued positive development is anticipated in the pulp and paper market. Activity in the emerging markets is likely to remain higher than in the established markets. For the full year, the division expects decreases in order intake, sales, and operating income compared with the strong performance of the previous year.

#### **Sulzer Pumps key figures**

millions of CHF	1H 2010	1H 2009	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>824.1</b>	884.5	-6.8%	-7.1%
Sales	<b>746.9</b>	963.5	-22.5%	-23.6%
Operating income before restructuring (EBITR)	<b>84.7</b>	125.4	-32.5%	
Operating income (EBIT)	<b>84.6</b>	115.3	-26.6%	
Return on sales before restructuring (ROSR) <sup>2</sup>	<b>11.3%</b>	13.0%		
Return on sales (ROS) <sup>3</sup>	<b>11.3%</b>	12.0%		
Employees (June 30/Dec. 31) (number of full-time equivalents)	<b>5 768</b>	5 928	-2.7%	

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> EBITR/sales

<sup>3</sup> EBIT/sales

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### Sulzer Metco: increased sales and operating income

The division increased sales and operating income as market activity grew in many of its key markets. Profitability recovered considerably. Adaptation measures had been taken early; they were fully completed at the end of the previous year, and substantial cost savings were achieved. The division is continuing to monitor market developments closely. Innovative solutions, such as carbon-based coatings, are continuously developed and enable the division to seize further growth opportunities.

Sulzer Metco further complemented its product portfolio through the acquisition of Bekaert's diamond-like carbon coatings activities, which was completed in July. The automotive industry and other industrial markets are expected to maintain the activity levels seen in the first half of the year. Further stabilization is likely in the aviation industry, while the power generation market is predicted to soften further. Market activity in Asia and in the Americas is expected to develop at higher levels than in the previous year, whereas the European market is likely to remain challenging. For the full year, the division anticipates some stabilization in sales and an improvement in operating income compared with the previous year.

### Sulzer Metco key figures

millions of CHF	1H 2010	1H 2009	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>310.9</b>	277.8	11.9%	15.2%
Sales	<b>298.2</b>	273.8	8.9%	11.9%
Operating income before restructuring (EBITR)	<b>25.7</b>	15.9	61.6%	
Operating income (EBIT)	<b>25.7</b>	3.5		
Return on sales before restructuring (ROSR) <sup>2</sup>	<b>8.6%</b>	5.8%		
Return on sales (ROS) <sup>3</sup>	<b>8.6%</b>	1.3%		
Employees (June 30/Dec. 31) (number of full-time equivalents)	<b>1 848</b>	1 796	2.9%	

### Sulzer Chemtech: increase in orders and double-digit profitability

On the base of a low order backlog at the beginning of the year and the timing of specific projects, sales and operating income decreased compared with the first half of the previous year. Profitability remained at double-digit level. The adaptation measures were implemented according to plan and have already resulted in relevant cost savings in the first half

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> EBITR/sales

<sup>3</sup> EBIT/sales

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of 2010. The new organizational setup with four separate business units positions the divisions well in its global markets and will enable for further growth to be achieved.

Market activity is expected to stay above 2009 levels in the second half of this year, particularly for Sulzer Mixpac Systems and Tower Field Service. Customers in the hydrocarbon processing industry are likely to remain cautious with investments in new equipment. The performance of the Process Technology unit will depend on the progress of various large projects. All regions are likely to maintain higher activity levels than in the previous year—except Europe, which is expected to remain challenging. For the full year, the division expects order intake to be above that of 2009. Sales are forecast to be below the previous year's figure, while profitability is likely to be slightly higher than last year.

### Sulzer Chemtech key figures

millions of CHF	1H 2010	1H 2009	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>319.8</b>	244.9	30.6%	29.1%
Sales	<b>274.9</b>	344.8	-20.3%	-21.0%
Operating income before restructuring (EBITR)	<b>29.5</b>	47.1	-37.4%	
Operating income (EBIT)	<b>29.3</b>	37.6	-22.1%	
Return on sales before restructuring (ROSR) <sup>2</sup>	<b>10.8%</b>	13.7%		
Return on sales (ROS) <sup>3</sup>	<b>10.7%</b>	10.9%		
Employees (June 30/Dec. 31) (number of full-time equivalents)	<b>2 737</b>	2 977	-8.1%	

### Sulzer Turbo Services: significant expansion through acquisition

The division strengthened its market position by acquiring Dowding & Mills, a leading repair and maintenance provider for generators, motors, and associated equipment with annual sales of around CHF 200 million and about 1 350 employees. Sales volumes increased, driven by the acquisition. Operating income and profitability were negatively impacted by acquisition expenses. The division's lean program was strengthened, and implementation is ongoing.

Sulzer Turbo Services expects increased business opportunities in the power generation industry, particularly in the Asia-Pacific region. The demand for service business in the hydrocarbon processing industry is likely to remain low. Activity in the European market is expected to

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> EBITR/sales

<sup>3</sup> EBIT/sales

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decrease from the high levels of the first half of the year. Compared with the previous years, the division anticipates higher levels of order intake, sales, and operating income for the full year, which will be supported by the recent acquisition.

### Sulzer Turbo Services key figures

millions of CHF	1H 2010	1H 2009	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>161.8</b>	143.6	12.7%	2.7%
Sales	<b>145.8</b>	135.2	7.8%	-2.9%
Operating income before restructuring (EBITR)	<b>11.3</b>	13.9	-18.7%	
Operating income (EBIT)	<b>11.3</b>	9.8	15.3%	
Return on sales before restructuring (ROSR) <sup>2</sup>	<b>7.7%</b>	10.3%		
Return on sales (ROS) <sup>3</sup>	<b>7.7%</b>	7.2%		
Employees (June 30/Dec. 31) (number of full-time equivalents)	<b>2 576</b>	1 189	116.7%	

As announced on May 10, 2010, Sulzer's CFO Peter Meier has decided to leave the company. A search process is ongoing and his successor will be announced in due course. During the transition period, beginning July 24, CEO Ton Büchner will take on the key responsibilities of the CFO assignment.

The Midyear Report 2010 is available on the Web at [www.sulzer.com/midyearreport](http://www.sulzer.com/midyearreport).

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> EBITR/sales

<sup>3</sup> EBIT/sales

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## Key Figures

Order intake (millions of CHF)	1 H 2010	1 H 2009	Δ	Δ adjusted <sup>1</sup>
<b>Divisions</b>	<b>1616.6</b>	1 550.8	4.2%	3.5%
Sulzer Pumps	<b>824.1</b>	884.5	-6.8%	-7.1%
Sulzer Metco	<b>310.9</b>	277.8	11.9%	15.2%
Sulzer Chemtech	<b>319.8</b>	244.9	30.6%	29.1%
Sulzer Turbo Services	<b>161.8</b>	143.6	12.7%	2.7%
<b>Others<sup>2</sup></b>	<b>5.4</b>	5.4	-	-
<b>Total</b>	<b>1622.0</b>	1 556.2	4.2%	3.5%

### Sales (millions of CHF)

<b>Divisions</b>	<b>1465.8</b>	1 717.3	-14.6%	-15.8%
Sulzer Pumps	<b>746.9</b>	963.5	-22.5%	-23.6%
Sulzer Metco	<b>298.2</b>	273.8	8.9%	11.9%
Sulzer Chemtech	<b>274.9</b>	344.8	-20.3%	-21.0%
Sulzer Turbo Services	<b>145.8</b>	135.2	7.8%	-2.9%
<b>Others<sup>2</sup></b>	<b>5.7</b>	7.4	-	-
<b>Total</b>	<b>1471.5</b>	1 724.7	-14.7%	-15.8%

### Operating income before restructuring expenses (EBITR; millions of CHF)

<b>Divisions</b>	<b>151.2</b>	202.3	-25.3%
Sulzer Pumps	<b>84.7</b>	125.4	-32.5%
Sulzer Metco	<b>25.7</b>	15.9	61.6%
Sulzer Chemtech	<b>29.5</b>	47.1	-37.4%
Sulzer Turbo Services	<b>11.3</b>	13.9	-18.7%
<b>Others<sup>2</sup></b>	<b>4.1</b>	48.2	-
<b>Total</b>	<b>155.3</b>	250.5	-38.0%

### Operating income (EBIT; millions of CHF)

<b>Divisions</b>	<b>150.9</b>	166.2	-9.2%
Sulzer Pumps	<b>84.6</b>	115.3	-26.6%
Sulzer Metco	<b>25.7</b>	3.5	-
Sulzer Chemtech	<b>29.3</b>	37.6	-22.1%
Sulzer Turbo Services	<b>11.3</b>	9.8	15.3%
<b>Others<sup>2</sup></b>	<b>4.0</b>	48.2	-
<b>Total</b>	<b>154.9</b>	214.4	-27.8%

<sup>1</sup> Adjusted for currency effects as well as acquisitions and divestitures

<sup>2</sup> Others consist of: Corporate Center, Sulzer Real Estate, Sulzer Innotec and consolidation adjustments

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### Return on sales before restructuring expenses (ROSR)<sup>1</sup>

<b>Divisions</b>	<b>10.3%</b>	11.8%
Sulzer Pumps	<b>11.3%</b>	13.0%
Sulzer Metco	<b>8.6%</b>	5.8%
Sulzer Chemtech	<b>10.8%</b>	13.7%
Sulzer Turbo Services	<b>7.7%</b>	10.3%
<b>Others<sup>2</sup></b>	–	–
<b>Total</b>	<b>10.6%</b>	14.5%

### Return on sales (ROS)<sup>3</sup>

<b>Divisions</b>	<b>10.3%</b>	9.7%
Sulzer Pumps	<b>11.3%</b>	12.0%
Sulzer Metco	<b>8.6%</b>	1.3%
Sulzer Chemtech	<b>10.7%</b>	10.9%
Sulzer Turbo Services	<b>7.7%</b>	7.2%
<b>Others<sup>2</sup></b>	–	–
<b>Total</b>	<b>10.5%</b>	12.4%

Sulzer was founded in 1834 in Winterthur, Switzerland, and today is active in machinery and equipment manufacturing and surface engineering at over 120 locations worldwide. The divisions are global leaders in their respective customer segments, which include the oil and gas, hydrocarbon processing, power generation, pulp and paper, aviation and automotive industries. [www.sulzer.com](http://www.sulzer.com)

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<sup>1</sup> EBITR/sales

<sup>2</sup> Others consist of: Corporate Center, Sulzer Real Estate, Sulzer Innotec and consolidation adjustments

<sup>3</sup> EBIT/sales