MEDIA RELEASE

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Sulzer with strong and profitable growth in the first half of 2019

In the first half of 2019, Sulzer maintained the momentum of 2018. Order intake grew by 7.5% organically and by 8.7% including acquisitions. Sales increased by 13.1%, mostly organically. Operational EBITA was up 15.4% to CHF 159 million for an improved operational ROSA of 9.0%. Sulzer increases its guidance for order intake and sales for the full year.

CEO Greg Poux-Guillaume said: “The company’s strong performance in the first half of this year and continued robust customer inquiries lead us to raise our forecast for the full year.”

Key figures for the first half of 2019 (Jan 1 – June 30)

millions of CHF	**2019 (New accounting policies)[1]**	**2019 (Previous accounting policies)[2]**	2018[3]	Change in +/–%[4]	+/–% adjusted[5]	+/–% organic[6]
Order intake	**1’933.3**	**1’933.3**	1801.4	7.3	8.7	7.5
Order intake gross margin	**33.8%**	**33.8%**	33.8%			
Order backlog as of June 30/Dec 31	**1’934.9**	**1’934.9**	1’786.9	8.3		
Sales	**1’773.8**	**1’773.8**	1’591.4	11.5	13.1	12.1
EBIT	**98.9**	**96.2**	82.0	17.3		
opEBITA	**161.5**	**158.8**	139.7	13.6	15.4	14.4
opROSA	**9.1%**	**9.0%**	8.8%			
Net income attributable to shareholders of Sulzer Ltd	**65.1**	**63.9**	57.9	10.2		
Basic earnings per share	**CHF 1.92**	**CHF 1.88**	CHF 1.81	3.4		
Free cash flow	**– 11.6**	**– 27.9**	– 29.8	6.6		
Net debt as of June 30/Dec 31	**485.1**	**377.9**	239.0			
Employees as of June 30/ Dec 31 (number of FTEs)	**16’289**	**16’289**	15’572	4.6		

Abbreviations: EBIT: Operating income, opEBITA: Operating income before restructuring, amortization, impairments and non-operational items, opROSA: Return on sales before restructuring, amortization, impairments and non-operational items (opEBITA/sales), FTE: Full-time equivalents

[1] According to IFRS 16, see financial review and note 13 of the Midyear Report 2019.
[2] Without consideration of IFRS 16, applying the same accounting policies as in the prior year.
[3] Adjusted due to the reassessment of a customer contract. See note 13 of the Midyear Report 2019.
[4] Comparing 2019 (previous accounting policies) with 2018.
[5] Adjusted for currency effects. Comparing 2019 (previous accounting policies) with 2018.
[6] Adjusted for acquisition and currency effects. Comparing 2019 (previous accounting policies) with 2018.

Strong order growth

Order intake of CHF 1'933.3 million was up 8.7% year-on-year, of which 7.5% was organic and CHF 21.8 million in came from recent acquisitions.

Order intake in the Pumps Equipment division increased by 5.9%. The increase stemmed from 5.5% organic growth, supported strongly by large projects in the Water market (+21.7%) where Sulzer was awarded two large projects for desalination and water pipeline pumps in the Middle East. Growth in the Oil and Gas segment (+7.1%) maintained its momentum.

Order intake in the Rotating Equipment Services division grew by 7.3%, mainly organically. All product lines – Pump Services, Turbo Services and Electromechanical Services – contributed to growth, with a particularly strong demand for Pump Services. On July 2, 2019, Sulzer announced the acquisition of Alba Power, a leading independent service provider for aero-derivative gas turbines in Aberdeen, UK. With that acquisition, Sulzer diversifies its gas turbine service business into distributed power and offshore as well as marine applications.

The Chemtech division grew by 25.9% driven by organic growth of 23.3%, with all regions contributing. Chemical customers, which account for close to 60% of Chemtech, continue to add capacity at a sustained pace. The GTC Technology acquisition announced in May 2019 added CHF 7.8 million in order intake over the quarter. GTC develops technologies and commercializes licensed processes for the petrochemical industry worldwide. It strengthens Chemtech's leadership in petrochemical processes.

Order intake in the Applicator Systems division remained flat. Adhesives, Dental and Healthcare grew at a collective 6.1%, of which 2.5% organic. Beauty temporarily declined as growth is increasingly captured by a more fragmented, viral-marketing driven customer base. Sulzer remains the market leader in brush-based beauty applications and is investing in a significant transformation of its industrial base to better serve these customers.

Double-digit sales growth

Sales amounted to CHF 1'773.8 million. This increase of 13.1% was 12.1% organic, with the addition of CHF 15.7 million from recent acquisitions.

Sales grew 28.1% in the Oil and Gas and Petrochemical markets on a high order backlog and supported by slight contributions from acquisitions. Sales to the Chemical Processing Industry increased by 26.1% and by 4.7% to the Industry market. Power sales declined by 0.5%, also due to a lower backlog at the beginning of the year. Water sales declined by 0.7% after a strong increase in 2018.

Operational return on sales increased to 9.0%

Operational EBITA (opEBITA) amounted to CHF 158.8 million compared with CHF 139.7 million in the first half of 2018, an increase of 15.4%. Higher sales volume, savings from the Sulzer Full Potential (SFP) program of CHF 11 million, proportionally lower operating expenses, and acquisitions contributed to this increase. OpEBITA increased organically by 14.4%. Operational EBITA margin (opROSA) increased to 9.0% compared with 8.8% in the first half year of 2018.

Non-operational costs

As it concludes the SFP program in 2019, Sulzer is continuing to adapt its global manufacturing capacities to evolving market and business conditions. Up to June 2019, SFP-related non-operational expenses were CHF 7.8 million. Plans to consolidate two Applicator

Systems factories in Germany are underway, for which restructuring provisions of CHF 14.4 million and non-operational costs of CHF 6.4 million were recorded in the first half of 2019. Consequently, EBIT amounted to CHF 96.2 million, an increase of 18.2% compared with CHF 82.0 million in the first half of 2018. Return on sales (ROS) was 5.4% compared with 5.2% in the first half of 2018.

Outlook 2019

While Sulzer is not immune to the climate of economic uncertainty that percolates from some of the markets or geographies that the company is active in, the company does not see at this point signs of a slowdown in its leading indicators.

Based on sustained customer inquiries and a strong performance in the first half of this year, Sulzer increases its guidance. The company raises its forecast for order intake to grow by 6% to 9% (previously 2% to 5%), and sales to grow by 7% to 9% (previously 3% to 5%), adjusted for currency effects and including an acquisitions effect of 2%. Sulzer maintains its forecast of reaching an opEBITA margin of around 10% in 2019.

Key figures divisions for the first half of 2019 (Jan 1 – June 30)

millions of CHF	2019 (New accounting policies)[1]	2019 (Previous accounting policies)[2]	2018[3]	Change in +/–%[4]	+/–% adjusted[5]	+/–% organic[6]
Pumps Equipment						
Order intake	**752.5**	**752.5**	719.8	4.5	5.9	5.5
Sales	**690.3**	**690.3**	594.9	16.0	17.8	17.3
opEBITA	**20.0**	**18.9**	7.7	146.2	146.3	144.1
opROSA	**2.9%**	**2.7%**	1.3%			
Employees[7] as of June 30	**5'778**	**5'778**	5'713	1.1		
Rotating Equipment Services						
Order intake	**602.2**	**602.2**	572.1	5.3	7.3	6.2
Sales	**561.4**	**561.4**	499.8	12.3	14.9	13.7
opEBITA	**67.9**	**67.2**	61.4	9.5	12.6	12.3
opROSA	**12.1%**	**12.0%**	12.3%			
Employees[7] as of June 30	**4'882**	**4'882**	4'721	3.4		
Chemtech						
Order intake	**350.3**	**350.3**	280.0	25.1	25.9	23.3
Sales	**303.8**	**303.8**	267.7	13.5	14.4	13.0
opEBITA	**27.3**	**27.1**	22.3	21.2	24.1	24.1
opROSA	**9.0%**	**8.9%**	8.3%			
Employees[7] as of June 30	**3'576**	**3'576**	3'063	16.7		
Applicator Systems						
Order intake	**228.4**	**228.4**	229.5	–0.5	0.1	–2.1
Sales	**218.2**	**218.2**	229.0	–4.7	–4.3	–5.9
opEBITA	**47.3**	**47.0**	48.5	–3.1	–3.2	–5.3
opROSA	**21.7%**	**21.5%**	21.2%			
Employees[7] as of June 30	**1'831**	**1'831**	1'864	–1.8		

Abbreviations:
opEBITA: Operating income before restructuring, amortization, impairments and non-operational items
opROSA: Return on sales before restructuring, amortization, impairments and non-operational items (opEBITA/sales)

Details on the performance of the divisions can be found in the Midyear Report 2019.

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[3] Adjusted due to the reassessment of a customer contract. See note 13 of the Midyear Report 2019.
[4] Comparing 2019 (previous accounting policies) with 2018.
[5] Adjusted for currency effects. Comparing 2019 (previous accounting policies) with 2018.
[6] Adjusted for acquisition and currency effects. Comparing 2019 (previous accounting policies) with 2018
[7] Number of full-time equivalents (FTE).

Impact of IFRS 16 "Leases"
Sulzer has adapted its reporting to reflect the application of IFRS 16 "Leases". It replaced IAS 17 "Leases". IFRS 16 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. A lessee is required to recognize a lease asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

In the first half of 2019, IFRS 16 had a positive effect on opEBITA (CHF 2.7 million) and free cash flow (CHF 16.3 million). Consequently, the application of IFRS 16 increased opROSA by 0.1 percentage points. The difference in the profit is related to the recognition of depreciation and interest expenses, instead of operating lease expenses. The difference in the cash flow is related to the recognition of payments for leasing as part of the financing activities, instead of cash flow from operating activities.

The information presented for 2018 has not been restated. In the business review, the group disclosed the figures for the first half of 2019 according to the new accounting standards and the old accounting standards. The changes in percent shown in the tables and mentioned in the text compare 2019 figures according to the previous accounting standard with 2018 figures as previously reported (like for like). In the interim consolidated financial statements (note 13), a table summarizes the impact of the new accounting standards on the financial statements.

Midyear report online: https://report.sulzer.com/myr19
Result presentation: https://www.sulzer.com/myr19

*Sulzer Ltd will hold a short **conference call** on the occasion of the publication of the midyear results 2019:*

***Date**: Wednesday, July 24, 2019*
***Time**: 09:00 a.m. CET / 03:00 a.m. EST*

The presentation can be followed by webcast (audio slides) or by dialing-in to the conference call. To access the webcast or to dial in to the conference call, use the following links and numbers, respectively:

Webcast *www.sulzer.com/myr19-webcast*

Dial-in

Local – London, United Kingdom:	*+44 (0) 207 107 0613*
National free phone – United Kingdom:	*0800 279 3956*
Local – New York, United States of America:	*+1 (1)631 570 5613*
National free phone – United States of America:	*001 (1)866 291 4166*
Local – Switzerland:	*+41(0)58 310 5000*
National free phone – Switzerland	*080 000 1750*

Please dial in 5 minutes before the start of the conference call.

Playback webcast
The playback of the webcast will be available shortly after the event under the same link.

Key dates in 2019
October 23 *Order intake Q1 – Q3 2019*

Sulzer's core strengths are flow control and applicators. We specialize in pumping solutions and services for rotating equipment, as well as separation, mixing and application technology. Our customers benefit from a network of over 180 production and service sites in about 50 countries around the world. Sulzer has been headquartered in Winterthur, Switzerland, since 1834. In 2018, we achieved sales of about CHF 3.4 billion with around 15'500 employees. Our shares are traded on the SIX Swiss Exchange (SIX: SUN). www.sulzer.com

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