MEDIA RELEASE

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Solid Financial Performance Despite Continuing Market Headwinds

In 2016, currency-adjusted order intake and sales decreased by 2%. Orders in all markets other than oil and gas — power, water, general industry — increased. Order intake gross margin remained broadly stable. Operational profitability declined but remained well within Sulzer's guidance. Free cash flow generation was very robust.

Sulzer Full Potential (SFP) program savings of CHF 88 million helped to partially offset the impact of the severe market headwinds on profitability. Free cash flow improved markedly to CHF 201 million. For the full year 2017, including acquisitions signed in 2016 and adjusted for currency effects, order intake is expected to grow by 5 to 8% and sales to grow by 3 to 5%. Sulzer expects opEBITA margin at around 8.5% (opEBITA in percent of sales). The Board of Directors will propose an unchanged ordinary dividend of CHF 3.50 per share at the Annual General Meeting on April 6, 2017.

CEO Greg Poux-Guillaume said, "We did well in a challenging year. Overall, we beat our guidance on all of the key performance indicators: we fulfilled our promises. There is still a lot to do, but we are heading in the right direction."

Key figures

millions of CHF	**2016**	2015	Change in +/–%	+/–%[1]
Order intake	**2 797.5**	2 895.8	– 3.4	– 2.0
Order intake gross margin	**34.0%**	33.8%		
Order backlog	**1 439.1**	1 510.7	– 4.7	
Sales	**2 876.7**	2 971.0	– 3.2	– 2.0
EBIT	**115.3**	120.9	– 4.6	
opEBITA	**238.9**	254.1	– 6.0	– 4.4
opROSA	**8.3%**	8.6%		
opROCEA	**15.7%**	17.0%		
Net income attr. to shareholders of Sulzer Ltd	**59.0**	73.9	– 20.2	
Basic earnings per share from continuing operations	**1.73**	2.17	– 20.3	
Free cash flow	**200.5**	155.8	28.7	
Net liquidity	**– 35.9**	695.7		
Employees as of December 31 (number of full-time equivalents)	**14 005**	14 253	– 1.7	

Abbreviations:

EBIT:	Operating income
ROS:	Return on sales (EBIT/sales)
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)
opROCEA:	Return on capital employed (opEBITA/average capital employed)

[1] Adjusted for currency effects.

Financial performance in 2016[2]

Decrease in order intake

Overall order intake decreased by 2.0% from 2015 (nominal: – 3.4%). The effect of acquisitions amounted to CHF 110.7 million and currency translation effects to a negative CHF 40.9 million. Order intake gross margin remained broadly stable, because the increased share of higher-margin aftermarket business offset the margin erosion in the oil and gas market. The order backlog decreased to CHF 1 439.1 million (December 31, 2015: CHF 1 510.7 million).

Order intake in the oil and gas market decreased significantly. The industry continued to cut costs and capital investments as expected, while oil prices began to recover during the year. Order intake grew strongly in the power and in the general industry markets. The latter was supported by the consolidation of Geka and PC Cox.

Order levels decreased in the Americas and in Europe, the Middle East, and Africa (EMEA) due to the oil and gas market downturn and — in Europe — due to the weaker performance of the electromechanical business. Order intake significantly increased in Asia-Pacific, mainly supported by China, which recovered from the very low order levels last year.

Lower sales impacted operational EBITA

Sales amounted to CHF 2 876.7 million — a decline of 2.0% (nominal: –3.2%). Negative currency translation effects totaled CHF 34.5 million and the effect of acquisitions came to CHF 90.6 million. In 2016, strong growth in the power market and the effect from acquisitions were offset primarily by the significant sales decline in the oil and gas market. Sales in the water market were also below the prior-year level, mainly due to a low starting backlog and timing of projects. Sales increased in EMEA, while the Americas and Asia-Pacific regions were down from the previous year. Consequently, the share of sales in emerging markets slid from 40% in 2015 down to 38% in 2016.

Operational EBITA (opEBITA) totaled CHF 238.9 million compared with CHF 254.1 million in 2015, a decrease of 4.4% (nominal: – 6.0%). Savings from the SFP program helped partially offset the lower sales volume and the negative pricing impact. Operational ROSA (opROSA) decreased to 8.3% compared with 8.6% in 2015.

Lower core net income — strong free cash flow

In 2016, net income amounted to CHF 60.1 million compared with CHF 75.0 million in the previous year. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 153.8 million compared with CHF 175.0 million in 2015. Basic earnings per share decreased from CHF 2.17 in 2015 to CHF 1.73 in 2016.

Free cash flow amounted to CHF 200.5 million compared with CHF 155.8 million reported in the prior year. This was mainly driven by dynamic net working capital management, but also by lower tax payments and the fact that a substantial portion of restructuring expenses recorded in 2016 will only be paid out in 2017.

Organizational changes

In 2016, Sulzer acquired Geka, headquartered in Bechhofen, Germany. Geka produces applicator devices for the cosmetics industry and has an emerging business in healthcare.

[2] If not otherwise indicated, changes compared with the previous year are based on currency-adjusted figures.

Further, Sulzer took over PC Cox Group Ltd, a leading manufacturer of industrial dispensers headquartered in Newbury, UK. The combination of the business unit Sulzer Mixpac Systems, Geka, and PC Cox is being reported as the new division Applicator Systems as of January 1, 2017. Moreover, the company prepared for the transfer of the spare parts business from the Pumps Equipment division to the Rotating Equipment Services division. The integration will be carried out in 2017 and will allow customers to benefit from a single access point for services and parts.

Outlook for 2017
Sulzer expects that the oil and gas market, which accounted for approximately half of its revenue before recent acquisitions, will remain challenging in 2017 and that pricing pressure will persist throughout the year. Early signs of an impending recovery of oil CAPEX should only translate into a commercial rebound for Sulzer in 2018. Sulzer's other businesses are expected to grow slightly in 2017. This is projected to lead to a broadly stable organic order level for the company relative to 2016,supplemented by additional volume from newly acquired businesses. Sulzer expects its SFP program to deliver incremental cost savings in 2017 in the range of CHF 40 to 60 million. The company confirms its overall target of CHF 200 million from 2018 onwards. For the full year 2017, including acquisitions signed in 2016 and adjusted for currency effects, order intake is expected to grow by 5 to 8% and sales to grow by 3 to 5%. Sulzer expects opEBITA margin at around 8.5% (opEBITA in percent of sales).

Proposals by the Board of Directors at the Annual General Meeting

The Board of Directors will propose an unchanged ordinary dividend of CHF 3.50 per share (2015: CHF 3.50) at the Annual General Meeting on April 6, 2017. This represents a 3.3% dividend yield.

The Board of Directors will also propose that Peter Löscher, Matthias Bichsel, Thomas Glanzmann, Axel C. Heitmann, Jill Lee, Mikhail Lifshitz, Marco Musetti, and Gerhard Roiss all be reelected for a one-year term of office at the Sulzer Annual General Meeting.

Divisional results in detail

Pumps Equipment: volumes and profitability under pressure
Order intake decreased in 2016, mainly driven by the significantly lower order intake in the oil and gas market (– 20%). Despite the recovery of oil prices during the year, the industry continued to cut cost and hold investments back. Order intake in the power market increased significantly, driven by orders from the Middle East and Asia. Demand in the water and the general industry markets grew compared with the previous year. Regionally, Pumps Equipment reported lower order intake in Europe and strong growth in the Middle East. Order intake dropped significantly in the Americas. Demand in the Asia-Pacific region was strong and clearly above last year's level.

In 2016, Pumps Equipment reported lower sales. The sales volume in the oil and gas market dropped significantly as a consequence of the lower order intake of the previous year. The power market grew significantly in terms of sales, in line with the increase in order intake in 2015. Sales in the water market were below the previous year's level, driven by a low first quarter. In general industry, the division reported a stable sales volume. Operational EBITA and operational ROSA decreased significantly, due to the lower sales volume and pricing pressure.

Key figures Pumps Equipment

millions of CHF	**2016**	2015	Change in +/–%	+/–%[1]
Order intake	**1 401.7**	1 500.8	– 6.6	– 5.4
Order intake gross margin	**33.8%**	34.2%		
Order backlog	**880.3**	998.0	– 11.8	
Sales	**1 503.5**	1 621.0	– 7.2	– 6.2
EBIT	**7.1**	62.8	– 88.7	
opEBITA	**86.3**	118.1	– 26.9	– 23.8
opROSA	**5.7%**	7.3%		
opROCEA	**11.3%**	15.8%		
Employees as of December 31 (number of full-time equivalents)	**6 261**	6 996	– 10.5	

Rotating Equipment Services: slight volume and profitability decline
Compared with the previous year, order intake decreased in 2016. It was impacted by a decline in the general industry market. One of the contributors was a weak electromechanical business in the UK, which suffered from the continuous change of the industrial landscape. Activity in the oil and gas and the power markets remained stable. Regionally, activity in the Asia-Pacific region decreased significantly. EMEA and the Americas decreased slightly compared with the previous year.

The division reported slightly lower sales in 2016. Sales in EMEA remained stable and increased slightly in North America. The sales volume in Central and Latin America declined, impacted by low oil prices. Sales in the Asia-Pacific region were down from the higher level in 2015, which had resulted from large gas turbine orders that year. Operational EBITA decreased compared with 2015. This results from the lower sales volume that could only be partially offset by lower operating expenditures. Operational ROSA also declined slightly.

Key figures Rotating Equipment Services

millions of CHF	**2016**	2015	Change in +/–%	+/–%[1]
Order intake	**661.1**	698.2	– 5.3	– 3.1
Order intake gross margin	**30.3%**	30.5%		
Order backlog	**195.8**	205.0	– 4.5	
Sales	**666.8**	693.2	– 3.8	– 1.9
EBIT	**57.3**	51.4	11.5	
opEBITA	**66.2**	70.8	– 6.5	– 7.2
opROSA	**9.9%**	10.2%		
opROCEA	**16.5%**	16.8%		
Employees as of December 31 (number of full-time equivalents)	**3 436**	3 538	– 2.9	

Chemtech: volumes and profitability increasing

Chemtech reported growing order intake in 2016. The additional orders from the acquisitions more than offset the organic decrease in order intake in the Tower Field Services (TFS) business unit. The TFS business had fewer large projects compared with the previous year. The overall business suffered from the lack of oil and gas upstream projects globally. Order intake in the general industry market increased because of the strong performance of Sulzer Mixpac Systems and the acquisitions. Regionally, the division reported growing order intake in EMEA as well as in the Asia-Pacific region. Demand in the Americas was down compared with the previous year.

In 2016, sales increased compared with the previous year, due to the PC Cox and Geka acquisitions. The other Chemtech businesses — Separation Technology and Tower Field Services — reported lower sales because of the challenging oil and gas market that particularly affected the downstream business in the Americas. The acquisitions and operational improvements led to a significantly higher operational EBITA and operational ROSA compared with the previous year.

Key figures Chemtech

millions of CHF	**2016**	2015	Change in +/–%	+/–%[1]
Order intake	**744.5**	708.9	5.0	6.1
Order intake gross margin	**37.3%**	35.6%		
Order backlog	**362.9**	307.7	17.9	
Sales	**718.1**	669.6	7.2	8.0
EBIT	**37.2**	33.5	11.0	
opEBITA	**82.1**	67.4	21.8	23.0
opROSA	**11.4%**	10.1%		
opROCEA	**18.5%**	16.6%		
Employees as of December 31 (number of full-time equivalents)	**4 135**	3 539	16.8	

Annual results online: www.sulzer.com/AR16

Virtual press kit (incl. image and footage database): www.sulzer.com/virtual-press-kit

Annual results presentation

Sulzer will host an ***annual results presentation*** *today at 10 a.m. CET at the Metropol, Zurich, Switzerland.*

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/ar16-webcast*
Dial-in code	*4712547*
Swiss	*+41(0)22 567 5431*
Swiss toll free	*0800 345 602*
UK	*+44(0)20 3427 1910*
UK toll free	*0800 279 5004*
USA	*+1646 254 3361*
USA toll free	*1877 280 2296*

Participants are requested to dial in 5–10 minutes before the start of the presentation.

Key dates in 2017

April 6	*Annual General Meeting 2017*
April 27	*Order intake Q1 2017*
July 27	*Midyear results 2017*
October 26	*Order intake Q1 – Q3 2017*

Sulzer, headquartered in Winterthur, Switzerland, since 1834, specializes in pumping solutions, services for rotating equipment, and separation, mixing, and application technology. The company creates reliable and sustainable solutions for its markets: oil and gas, power, water, and general industry. Sulzer serves customers around the world through a network of over 180 production and service sites, and it has a strong footprint in emerging markets. In 2016, the company achieved sales of roughly CHF 2.9 billion with around 14 000 employees. www.sulzer.com

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