CFO Message

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Agenda – CFO Message

- Profitability Point of Departure
- Sulzer Full Potential – G&A
- Capital Allocation
Operational EBITA is an additional key profitability measure

**Operational EBITA**

- **EBIT before**
  - Amortization
  - Goodwill impairment
  - Restructuring cost
  - Adjustments for other non-operational items
    - Significant acquisition related expenses
    - Gains and losses from sale of businesses or real estate (including release of provisions)
    - Certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

- Increased transparency
- Better reflection of ongoing business performance
- Closer link to levers of the business

**Operational EBITA margin erosion stopped in 2014**

- opROSA = operational ROSA
- opEBITA = operational EBITA

Note: Historic financials shown are excluding Sulzer Metco and represent non-audited figures

Until 2011
- opEBITA around 12.3%
- ROS benefited from non-operational items such as real estate

Margin erosion in 2012 and 2013
- Margin erosion of ~2.7%
  - Roughly 50% due to the underperforming wastewater business line
  - Lower profitability in RES due to underutilization in UK and Australia
  - HQ cost absorption post Sulzer Metco divestiture

Stabilization in 2014
- Margins stabilized in 2014
  - Wastewater restructuring in 2013
  - HQ resizing program executed in 2013
  - RES service center restructuring in 2014

1. opROSA = operational ROSA  2. opEBITA = operational EBITA

Note: ROS adjusted for wastewater impairment

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Sulzer Full Potential program has a solid impact on profitability

Stopped margin erosion in 2014  Stable development in 2015  Sulzer Full Potential impact from 2017 onwards

Order Intake  Sales  Op EBITA

Assuming no significant top-line erosion until 2017

Improve Sulzer profit margins (op EBITA) by 4-6 percentage points

Path towards best in class

Note: All guidance and outlook statements provided on an FX adjusted basis

Sulzer Full Potential program to deliver top tier profitability

PROFITABILITY COMPARISON OF SULZER AND PEERS

Company 1  Company 2  Company 3  Sulzer 2017+  Company 4  Company 5  Company 6  Company 7  Company 8  Company 9  Company 10  Sulzer today  Company 11  Company 12  Company 13

4-6% impact

Note: Relevant competitor set for Pumps Equipment, Rotating Equipment Services and Chemtech
Margin improvement materializes over next three years and beyond

- **Procurement:**
  130 initiatives defined across categories. Global procurement structure.

- **Productivity, footprint, and complexity:** Global footprint. Improvement within and across production sites.

- **Selling, general and administration costs:** Focus on standardization and shared services.

1) Measured on operational ROSA

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Track Sulzer Full Potential results with periodic updates to investors

- Detailed program tracking and reporting in place
- Results delivery continuously monitored by Executive Committee

- Detailed implementation roadmap to be shared with 2015 H1 results
- Periodic progress updates given to investors
Operational excellence is the third pillar of our program

Sulzer Full Potential (SFP)

**STRATEGY**
P-ortfolio, focus areas, M&A roadmap

**OPERATING MODEL**
Organizational setup, integration

**OPERATIONAL EXCELLENCE**
Selling, G&A, procurement, manufacturing, service, complexity

One focused, market-oriented, globally operating company
Focus support functions on value-adding activities

Summary: Journey towards sustainable top tier profitability

- **Profitability Journey**
  - Introducing operational EBITA as profitability measure
  - Margins stabilized in 2014
  - Sulzer Full Potential has sustainable impact on profitability to deliver top tier performance
  - Detailed tracking and transparent reporting given to investors

- **G&A Transformation**
  - G&A support functions operational excellence will be one of the key levers in Sulzer Full Potential
  - Focus G&A support functions on standardization and shared services
  - Focus support functions on value-adding activities
  - Case for change is clear – get all of Sulzer behind it
Long term commitment to optimize capital structure

Optimize capital structure

Net debt (cash) / EBITDA

- Well within solid investment grade rating
- (1.9x) FY 2014

Capital Allocation:
- Capex
- Acquisitions
- Return to shareholders

Capital Allocation:

Sources of cash
- Excess cash from Metco disposal
- High cash generative business with average historic FCF / Net income cash conversion of around 80%

Uses of cash
- Returning excess cash to shareholders
- Support SFP transformation path and organic growth of businesses
- Execute value accretive acquisitions, both add-ons and transformational
- Financial discipline for organic and M&A investment opportunities

Long term policy
- Move towards a leverage range well within investment grade rating
- Leaving ample room for value creating investment opportunities
- Return excess cash when possible

1) Before restructuring and impairment
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