Agenda – Pumps Equipment

Sulzer Full Potential for PE

- Point of Departure
- Mission & Strategy
- Operational Excellence

Summary
Sales by market segment:

- 2013:
  - Oil and gas: 50%
  - Power: 14%
  - Water: 16%
  - General industry: 20%

- 2014:
  - Oil and gas: 51%
  - Power: 14%
  - Water: 12%
  - General industry: 23%

Sales by geography (2014):

- EMEA: 43%
- AME: 33%
- APAC: 24%

Sales and profitability development:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (CHFm)</th>
<th>ROSR</th>
<th>opROSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,822</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>1,755</td>
<td>9.2%</td>
<td>8.0%</td>
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</tbody>
</table>

Cardo Wastewater business has a significant dilutive effect on Pumps Equipment margins

- Restructuring led to significant cost reductions, full savings will be visible 2015 onwards
- Main impact from production footprint consolidation (closure of 3 sites)
- Cardo Wastewater business to be profitable from 2015 onwards on opEBITA level

Note: Figures excluding Cardo Wastewater based on non-audited figures

1) 2007-2013 Sulzer Pumps; 2014 Pumps Equipment
Oil and gas market attractive in the long-term

Our market outlook
Sales share 2014

Oil and Gas

Upstream
- Decline in 2015-2016 due to decreasing oil price, recovery expected in 2017
- Depletion rate of conventional oil fields continues to drive investment
- FPSO activity to grow at slower pace
- Sub-sea to accelerate for brownfields
- China NOCs invest in assets outside China to meet future needs

Midstream
- North America pipeline expansion peaked in 2013-2014, will slow in 2015 before recovering in 2016-2017
- Continued pipeline development with growth increasingly coming from outside of North America
- ME and APAC activity expected to be up in 2017

Downstream
- China, Russia, Brazil, India, and Middle East to continue investing in refinery and petrochemical expansions to meet their needs
- Clean fuels legislation to drive new investment in older refineries to meet stricter gasoline specifications

Growth opportunities in all other market segments

Power
- 2-3% market growth in both coal and gas fired power as well as nuclear
- Growth expected in emerging countries where investment decisions have been delayed
- In developed countries demand is mainly driven by investments in renewable energy and replacement of older coal-based generation

Water
- Municipal water market in EMEA and North America are now replacement markets with energy saving focus while Asia / South America continue to invest in new infrastructure
- Water shortage will continue to drive investment in desalination, main focus Middle East and SE Asia
- Construction dewatering activity is recovering in USA

General Industry
- Funnel of large greenfield pulp mill projects proceeding
- Global metals demand continues weak – also in China
- Market outlook for fertilizers and chemical industry is positive

Our market outlook
Sales share 2014
Strong market position in sizeable and fundamentally attractive markets

**Oil and Gas**
- Pumps market: USD 3.5bn
  - FPSO, LNG, oil sands, carbon capture storage, pipelines, oil production, sub-sea oil
  - Strong market position based on customer relationships and technology leadership

**Power**
- Pumps market: USD 2.7bn
  - Power stations, conventional, industrial and nuclear, pumped storage, geothermal, and solar power

**Water**
- Pumps market: USD 13bn
  - Municipal water and wastewater, industrial water and wastewater, water transport and production, dewatering, domestic and commercial, irrigation and flood control

**General Industry**
- Pumps market: USD 5.3bn
  - Selected segments include pulp and paper, bioethanol, food, and zinc markets

Note: market sizes are new business only

**Our market position**
- #1 player in upstream and midstream
- #2 player in downstream
- #5 player in addressable market
- #2 player in wastewater (market size CHF 4.5bn)
- #1 player in selected segments (e.g. pulp & paper, market size CHF 0.9bn)

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Summary
Mission and growth drivers for Pumps Equipment

Sulzer PE mission

Global leadership in pumping solutions and profitable growth with the right portfolio

- Transform organization and portfolio
  - Market focused front end
  - Regional parts organization
  - Global operations
  - Optimized product portfolio

- Improve and streamline quality and efficiency
  - Optimized utilization of manufacturing assets
  - Best practices and technology transfers
  - Common standards and high quality levels

- Be the first choice of our customers
  - Replicate successful applications to new geographies
  - Joint R&D and product development with our customers
  - Global presence and local support in spare parts

Key strategic growth focus areas

<table>
<thead>
<tr>
<th>Growth focus areas</th>
<th>O&amp;G BU</th>
<th>Power BU</th>
<th>Water BU</th>
<th>PRN</th>
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<tbody>
<tr>
<td>FPSO / downstream business growth</td>
<td>❑</td>
<td>❑</td>
<td>❑</td>
<td></td>
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<tr>
<td>PRN sales force efficiency improvement</td>
<td>❑</td>
<td>❑</td>
<td>❑</td>
<td>❑</td>
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<tr>
<td>Oil and gas, and power business growth in APAC</td>
<td>❑</td>
<td>❑</td>
<td>❑</td>
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<tr>
<td>CEP and CWP product market share globally for fossil</td>
<td>❑</td>
<td>❑</td>
<td>❑</td>
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<tr>
<td>Combined cycle power USA market driven by shale gas</td>
<td>❑</td>
<td>❑</td>
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<tr>
<td>Municipal clean water growth</td>
<td>❑</td>
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FPSO= Floating Production Storage and Offloading
PRN= Parts, Retrofits, and Nuclear Services
CEP= Condensate extraction pump
CWP= Cooling water pump
Success stories: Enhancing our technology leadership and global presence

Geographic Expansion

Acquisition of 75% share of Saudi Pump Factory
- First full API pump manufacturing facility in Saudi Arabia for a global pump manufacturer
- Sulzer to become local pump manufacturer and service provider close to Saudi Aramco and Sabic

Technology Transfer

Large complex order executed in Suzhou facility
- Large complex order of six pump packages for 700MW ultra-supercritical power plant boiler feed water pumps for Chinese customer
- Operational excellence and contract execution capabilities enabled delivery on time and to specification

Product Innovation

Seals and hygienic injection pumps
- Sulzer now provides in-house designed and manufactured seals for its process pumps
- Sulzer and Wetend Technologies are launching an innovative hygienic injection pump series with several patent-pending features

PE execution delivers Sulzer vision

One
- One global operations organization
- One common global procurement organization
- Common regional structure between PRN and RES

Focused
- Optimized workload through global manufacturing network
- Category driven procurement setup
- Common KPIs shared with RES

Market-oriented
- New BU organization enhances customer intimacy
- Parts organization close to the customer
- Joint R&D and product development with our customers
Sulzer Full Potential for PE

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Summary

Pumps Equipment’s new organizational setup to better support the needs of our customers
Sulzer Full Potential: Productivity improvement, global footprint, and complexity reduction

**Fulfillment Excellence**
- Globally enhance engineering, production, supply chain execution
- Strengthen quality assurance and improvement processes
- Achieve planning accuracy and state of the art project execution

**Site Productivity**
- Establish global Sulzer Production System
- Optimize shop floor operations
- Enhance engineering capabilities and streamline indirect functions

**Footprint**
- Establish global engineering and manufacturing network
- Specialize engineering and manufacturing sites
- Globally optimize footprint to best serve market requirements

**Product complexity reduction**

Moving from a regional to a global setup to achieve better utilization and to increase operational excellence
**Sulzer Full Potential: Short term procurement savings and sustainable global approach**

**Spend Transparency**
- Drill down into addressable spend (direct and indirect)
- Optimize category by category

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<thead>
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<th>Category Targets</th>
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<td><strong>Spend Transparency</strong></td>
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- Detail the already defined ~130 initiatives
- Review and align initiatives and prioritization
- Setup integrated savings program

**Shift from distributed / transactional procurement to global / strategic**

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**Summary**
Pumps Equipment summary

- Strong position in **attractive markets with solid fundamentals**
- Global operations and procurement to generate **tangible savings benefits**
- Applications that can be leveraged to **expand into new geographies**
- **Technology leadership** and strong **engineering capabilities**

Global leader for **pumping solutions to selected markets providing customers with competitive and innovative products that set industry standards**

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